

**Connecticut State Teachers'
Retirement Board**

Pharmacy Benefit Services

Request for Proposal

06TRB0003

Contract period: July 1, 2006 to December 31, 2007

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I. Intention to Bid

The State of Connecticut Teachers' Retirement Board (the "TRB") is interested in receiving proposals for the provision of pharmacy benefit services. By 4:00 p.m. on October 12, 2005, the TRB requests that all interested parties respond with their intent to bid. The intent to bid process is not designed to bind parties to the process, but instead to make sure that all parties have access to any information that is provided during the process. As part of this process, any questions that are asked by any bidder are to be communicated to all bidders so that all information is shared with the potential vendors. Upon determining the firm's intent to bid, please provide a written notice sent via U.S. mail or other common carrier with a signature required for delivery to:

Ms. Leanne Appleton
Assistant Administrator
Connecticut State Teachers' Retirement Board
21 Grand Street
Hartford, CT 06106

All responses will be time stamped upon receipt. Failure to provide a timely notice of intent to bid will disqualify the bidder from further participation in the bidding process.

II. Time Table

RFP published	October 5, 2005
Intention to Bid Letter Due	October 12, 2005
Bids Due	November 15, 2005
Finalist Presentation	December 15, 2005
Selection of Vendor	January 18, 2006
Implementation	July 1, 2006

III. Delivery of Bids

Bidders must provide seven copies of bids, along with all documents and exhibits. Bids and accompanying documents and exhibits must be delivered no later than 4:00 p.m. on November 15, 2005, to Leanne Appleton at the address listed above. All bids will be time stamped upon receipt. Any bids received after 4:00 p.m. on November 15, 2005 will not be considered.

IV. Publication of RFP

Consistent with new State of Connecticut requirements, the RFP is being listed on the state's procurement/contractor portal on the State Department of Administrative Services website, www.das.state.ct.us, and advertised in the press.

V. Introduction

The TRB is an agency of the State of Connecticut. Its' primary responsibility is to provide retirement and medical benefits to retired teachers of the State of Connecticut. The TRB is a body that is composed of 12 members, five of whom are elected by the teachers, and five of which are appointed public members. The remaining two members are ex-officio to the TRB: the Commissioner of Education and the Commissioner of the Department of Social Services.

Corporate Benefit Consultants, LLC (CBC) is an employee benefits consulting firm located in North Haven, CT. CBC is hired as a consultant to the TRB and may only receive compensation in the form of fees from the State. No individual other than an employee of the Pharmacy Benefit Manager (PBM) is to receive any compensation, brokerage fee, referral fee or any other type of compensation associated with the placement of this contract.

As noted above, the TRB is interested in receiving proposals for the provision of prescription drug administration and pharmacy benefit services. The TRB has been contracting directly with a PBM for six years and is not interested in receiving intermediated bids. The TRB will accept only bids provided by a PBM and its employees. The reasons for the Request for Proposals (RFP) are that the

current contract with the vendor, Medco Health of Franklin Lakes, New Jersey, expires on June 30, 2006, the TRB is in the process of adjusting its benefit structure as a result of changes required by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (the "MMA"), and the TRB wishes to ensure that it is administering benefits in the most economical means possible.

The current benefit plan will be modified to some extent to take into account the changes required by MMA. As shown below, the current plan is mostly compatible with the structure of MMA and needs only to be modified slightly.

The current drug vendor/PBM, the Systemed unit of Medco Health, offers plan sponsors the choice of two networks, one which is all-encompassing and one that is narrower but offers a higher level of discounts. The total number of pharmacies in the small Medco network is approximately 52,000. That size network is adequate for the TRB's existing needs.

The TRB is interested in receiving proposals that provide for a two-year contract with a third year option based upon satisfactory performance and the needs of the State of Connecticut. Thus, the contractual period is July 1, 2006 through December 31, 2007, with an option to continue for an additional year (through December 31, 2008).

The plan sponsor is the Connecticut State Teachers Retirement Board. The TRB's administrator is Ms. Darlene Perez. All correspondence associated with this RFP should be addressed to the Assistant Administrator, Leanne Appleton, at the address listed above.

VI. Legal form of the bids

As an agency of the State of Connecticut, the TRB and all potential vendors are subject to the purchasing rules of the State of Connecticut. A copy of the rules is contained in **Appendix A**. As a state governmental plan, the plan is exempt from the rules of ERISA. The plan is fully self-funded and hence is not subject to state insurance law. The statute controlling the operation of the plan is Connecticut General Statutes Section 10-183b, et. seq.

VII. Description of the Plan

A. Current Plan

Appendix B contains a summary plan description for the current health and prescription drug plan. In addition, **Appendix B** contains separate sheets describing the prescription drug coverages, managed drugs, and exclusions for the retail and mail order plans, respectively. The agreement between the incumbent vendor and the TRB is located in **Appendix G**. The agreement is redacted: the current costs are not identified to prevent the possibility of any bidder's gaining a competitive advantage.

B. Sources of Funds

There are three primary sources of revenue to support the program. The largest source of funds is a payroll contribution required of active teachers. Teachers pay 1.25% of their salary to support the program. The second source is the State of Connecticut, which contributes approximately one-third of the cost of the program. The final source of funds is retired teachers, who pay approximately one-third of the cost of the plan to participate, in addition to their copays.

C. Plan Membership and Eligibility

Retired teachers fall into two broad classes with regards to health insurance eligibility. Many teachers in the state are not eligible for Medicare. Those teachers may remain in the plan of the last Connecticut Board of Education for which they worked and receive a stipend from the TRB to assist them in paying the costs of participation. Teachers who are eligible for Medicare have the option of participating in the State TRB plan. Often, teachers who retire at an age below 65 participate in the plan of the last employing Board of Education and switch to the TRB plan at age 65. Both the retired teacher and the spouse are eligible for the plan in their own right. So the spouse may decide to participate in the TRB plan while the former teacher does not.

D. Current Enrollment, Gross Spend and Utilization

Currently there are three primary options that a participant in the TRB program may select. They may select a base plan consisting of the medical and prescription drug program, and they may add the dental rider and/or the vision and hearing rider.

The approximate enrollments in these three options as of December 2004 are presented in Table 1.

Table 1 Participation by Plan Type December 2004	
Plan	Members and Dependents (Retirees and Beneficiaries)
Medical and Rx Only	6036
Medical, Rx and Dental	1023
Medical, Rx, and Vision and Hearing	0
Medical, Rx, Dental, Vision and Hearing	4648
Total	11,707

Appendix C lists the zip codes of current members in EXCEL format. For access to the list for purposes of responding to the Bidder Questionnaire (below), bidders may request an electronic copy of the list from Leanne Appleton at the address listed above, or via e-mail at Leanne.Appleton@po.state.ct.us.

The enrollment in the plan has been edging upward during the course of the past fiscal year. The number of Connecticut teachers expected to retire during the next few years is substantial. Accordingly, enrollment in the plan is expected to rise significantly in the coming years.

Table 2 depicts the monthly enrollment during the past fiscal year, based upon data provided by Medco Health, along with a summary of the monthly costs associated with the current plan. The monthly amounts represent the total spend (i.e., retail plus mail order).

Table 2
Monthly Gross Rx Spend
July 2004 through June 2005

Month	Total Spend	Members
July 2004	\$1,855,670.60	11,475
August	\$1,909,207.00	11,483
September	\$1,924,575.01	11,614
October	\$1,947,166.39	11,664
November	\$2,058,618.50	11,680
December	\$2,266,966.55	11,707
January 2005	\$1,826,863.88	11,740
February	\$1,771,432.71	11,755
March	\$2,046,392.46	11,773
April	\$1,971,989.23	11,776
May	\$2,189,060.35	11,788
June	\$1,633,035.16	11,810
Monthly Average for the Year	\$1,813,994.90	11,689

Appendix D contains a detailed description of the current plan's experience for the period July 1, 2004 through June 30, 2005. The first table presents the costs associated with various utilizations by members. The second table details the claim type (e.g., brand, formulary, non-formulary) for the same time period. The third table contains an overview of the costs, prescriptions, and other statistics by broken down by therapeutic class. The fourth table lists the relative costs and percentages by age group associated with the plan. The fifth table lists the top 25 drugs utilized by participants by therapeutic class and brand name. The sixth table sets forth the costs associated with the top 25 patients.

E. Participant and Plan Cost Sharing

The statutory basis of the benefit programs provides that individuals be provided a plan at 33% of the cost of the base plan (medical and prescription drug), 100% of the cost of the dental plan, and 100% of the cost of the vision and hearing plan.

Table 3 reflects the proportion of the costs per month borne by each of the parties. The costs of the prescription drug and medical plans are expected to increase annually as with trends in the industry.

Table 3 Selected Monthly Costs for the STRB and Participants by Plan Type		
Plan	STRB Cost January 2006	Member Cost January 2006
Medical and Rx	\$166	\$83
Medical, Rx and Dental	\$166	\$120
Medical, Rx, Dental, Vision and Hearing	\$166	\$124

Additional detailed information regarding the specific prescription drug costs associated with the current plan can be found in the tables contained in **Appendix D**.

VIII. Bidder Questionnaire/Scope of Services/Pricing

The questionnaire must be completed in full in order to be considered a conforming bid. Questions can be forwarded in writing to:

Ms. Leanne Appleton
Assistant Administrator
Connecticut State Teachers' Retirement Board
21 Grand St.
Hartford, CT 06106.

A. Firm Description

1. Name and business address of firm submitting proposal.
2. Brief description of the firm: history, experience, ownership, what distinguishes the firm other PBM's, what special services the firm offers to clients.
3. Name and address of the firm's local representative.
4. Please include a curriculum vitae for the local representative.
5. Name and work experience/background of the account manager (if different from the local representative).
6. Please provide a list of other accounts that the account manager handles including location, size of firms and types of services provided.
7. Is there any one involved in the firm's proposal process who is not a full-time employee of the firm? If so how are they compensated?
8. Location(s) of administrative office(s) proposed to handle TRB claims.
9. Total number of lives for which the firm serves as the PBM's (national and Connecticut).
10. Total number of organizations for which the firm serves as the PBM'S (national and Connecticut).
11. A list of Connecticut teacher accounts serviced by the firm.

12. Names, addresses and telephone numbers of three references for organizations in which the firm serves as the PBM. Such references should be Connecticut-based employers with over 1,000 lives.
13. Please provide a list of any major (*i.e.*, over \$1,000,000 in total damages in question) past or pending litigation against the firm, including the result of any past litigation (*e.g.*, civil penalties, reimbursement to customers).
14. Please provide a list of any state or federal consent decrees under which the firm operates.
15. Please provide a list of accounts and the names, addresses and phone numbers of references that the firm has taken over recently from the incumbent vendor.
16. Please provide the most recent Moody's and S & P rating information for the firm.
17. Please provide a copy of the firm's last annual statement.

B. Managed Benefits

The benefits provided for above are to be actively managed in a mechanism that is consistent with appropriate medical practices. Included is prior, concurrent and ex-post review of services. The formulary will have to conform with any applicable MMA requirements. A prior approval mechanism would be an acceptable option for non-formulary drugs and therapeutic classes that are particularly problematic, but that approval mechanism may not apply to drugs that are routinely prescribed. See **Appendix E** for the current prior approval requirements.

1. What pre-approval mechanisms does the firm operate?
2. How does the pre-approval mechanism work?
3. How does the firm identify specific drugs and or drug usage for pre-approval?

4. What recommendations for a prior approval mechanism does the firm have other than those provided in **Appendix E**. Please include the rationales and savings estimates associated with the firm's recommendations
5. How is usage flagged for inappropriate drug use (e.g., drug abuse, drug interaction, and inappropriate prescription)?
6. What standards are used to determine the medical necessity of sole source/formulary drugs?
7. What post point of sale control mechanisms does the firm offer?
8. What is the firm's approach to Utilization Management?
9. What disease and health management programs are offered as part of this proposal?

C. Claim Processing and Payment

1. Please provide an overview of the claims processing process from the time the request for service is obtained at the participating pharmacy until the process is complete. Include the systems that are used and how the managed care and reporting systems are accessed.
2. How long is the average financial payment lag time?
3. What pharmacy payment and enrollment systems are used? Is one system used nationally or are there multiple systems accessed by location?
4. What services are provided directly by the organization and for what services are subcontractors used? If subcontractors are used, please provide names and addresses for each subcontractor, along with the nature of services provided by each subcontractor.
5. What is the accuracy of claim payments by dollar amounts and by number of transactions?
6. How is eligibility incorporated into the claim payment process?
7. How is coordination of the benefits tracked and administered?

8. What is the average telephone wait time for members who have questions regarding the claim process?

D. Network

1. Please provide a zip code match report based upon the current group of beneficiaries (refer to **Appendix C**). This report should use a one-provider-in-5 miles and a one-provider-in-7 miles standard. Please run the report and exceptions both in and outside of Connecticut.
2. Please provide a list of chains (*i.e.*, more than 5 locations) with which you do business in CT.
3. Please provide information on the alternative networks that the firm provides.
4. If you operate internationally, please describe the arrangements that are provided outside the United States.
5. Does the firm offer an integrated program (*i.e.*, one system, one member service number, etc.)?
6. How are pharmacies evaluated for inclusion in the network?
7. How does the firm coordinate its pharmacy networks?
8. Please describe the firm's retail audit program.

E. Mail service

1. What mail service locations will service our membership?
2. What is the capacity of the firm's mail service facilities?
3. What is the current capacity utilization of the firm's mail service facilities?
4. Can the firm offer the design proposed for mail order?
5. What accommodations can the firm make, for the failures in process, to guarantee members access to a continuous supply of prescriptions?
6. What is the firm's average mail order prescription turn around time?

7. What incentives do members have to fill their prescriptions through home delivery?

F. Member Services and Communications

1. Please provide examples of member education and communication materials the firm provides (e.g., brochures, plan summaries, ID cards, wellness).
2. Please describe the telephonic customer service communication system(s) available to members, including whether there is a toll-free number to call to reach a customer service representative or pharmacist, and the hours such representatives and pharmacists are available.
3. Please describe the electronic and internet information, processing and communication systems available to members.
4. Please describe the training the firm provides to its customer service representatives and how the firm ensures that they provide accurate information to members.
5. What special programs does the firm have for dealing with the elderly?
6. What special programs does the firm have available for the blind?
7. What mechanisms does the firm have for dealing with hearing impaired or deaf individuals? Is there TTY access?

G. Formulary / Generic Drugs

1. The current formulary arrangement is listed on **Appendix F**.
Compared to the firm's formulary, how much disruption is expected?
2. Is the firm's formulary more efficacious than the incumbent vendor's? If so how?
3. Please identify which therapeutic classes of formulary drugs used by the current vendor that the firm more efficaciously handles. Be specific.
4. Please describe the operation of the firm's MAC system.
5. What percentage of generic drugs are MAC'D?
6. What mechanisms does the firm utilize to provide incentives for formulary drug use?
7. What incentives does the firm provide for generic drug use?
8. How do members have access to information about formulary drugs?
9. Does the firm have an appeal process as required under the Medicare Modernization Act?

H. Reporting

1. Please provide an example of the firm's standard reporting package. This should include the monthly utilization and financial reports, the quarterly reporting mechanism and the annual review. If the reporting is not a standard part of the bid provided, please provide the cost basis of the service.
2. Please describe how the firm's reporting mechanism deals with deductible accumulations, large case issues, claim lag reports, frequent drug codes, and problem utilization areas.
3. Can the Client generate reports? If so, is the reporting capability available via the Internet?
4. Please provide the costs (if any separate costs) of such reports.

5. Please provide a listing of additional reports that the firm is able to provide, including the costs, if any, associated with such reports.
6. Are explanations of benefits provided to members? If so provide an example.
7. What individual member reports do you provide?
8. How are deductible credits reported to members?
9. How are per unit costs of drugs reported to members?
10. Is there and mechanism for members to acquire current balances?
11. How are lifetime maximums reported?

I. Client Account Services

1. How will the firm handle and manage the transition process? Please provide a description of the transition process the firm would utilize, along with an implementation timeline.
2. How will the firm provide support to the Client (*i.e.*, the TRB) to manage eligibility and other administrative tasks?
3. Can the Client update in real time via the Internet?
4. How will the firm assist the Client in monitoring plan performance?

J. Federal Compliance

In order to facilitate compliance with Medicare Part D and the submission of accurate information so that the TRB will receive the subsidy, the vendor will be required to provide the following services, which must be included in the fees identified with the response to the RFP.

1. Please indicate whether the firm will be unable to provide any of the services listed below.
 - a. Claims and other information required to be submitted on an ongoing basis to obtain the Medicare Part D subsidy;
 - b. Eligibility record layout with new fields needed on an ongoing basis for Part D subsidy eligibility verification with CMS, along with eligibility interface between TRB and CMS;

- c. Management of feedback file from CMS (based on eligibility check);
- d. Movement of ineligible members to new group, as required;
- e. Control report provided to client containing ineligible members and reason codes per CMS;
- f. Tracking of eligible claims for eligible members to enable subsidy billing;
- g. Subsidy billing package with the summary and detail claims-related information required by CMS;
- h. Calculation of allowable and gross costs and associated subsidy amount;
- i. Rebate "true up" analysis to adjust billing according to actual rebates;
- j. Storage of claims, utilization management, and eligibility data for a 10-year period as required by CMS and False Claims Act.

2. What are the company's capabilities for HIPAA?

K. Implementation Allowance

Proposals should include an implementation allowance of \$5.00 per member payable to the Connecticut State Teachers' Retirement Board 60 calendar days after the July 1, 2006 effective date. There are no commissions to be paid under this arrangement to any intermediary. Failure to comply with this provision will disqualify any potential bidder.

L. Rebates

Annual rebate levels under the current arrangement totaled approximately \$561,700 for 2003, and \$676,700 for 2004, with guarantees per retail and per mail script. It is expected that both formulary and mail usage will increase significantly.

1. What is the expected level of rebates given the firm's rebating arrangements?
2. How are formulary rebates tracked and paid?
3. Does the firm guarantee pass-through acquisition price for mail order and complete pass-through of all manufacturer revenue?

M. Pricing

The pricing section will be limited to self-insured bids. All sections must be completed in full to be considered a conforming bid.

1. Ingredient Costs and Dispensing Fee

- a. Please provide guaranteed costs (do not include managed care/DUR savings here) for the following acquisitions of drugs:

Name brand retail costs = AWP – Brand Name Discount **plus**
Per Unit dispensing fee **minus** rebate.

- b. Please provide similar figures for mail order name brand, formulary, non-formulary and generic mail and retail costs.
- c. For MAC, please provide percentage MAC'd (use dollars as base) and MAC Discount, as well as dispensing fee.
- d. Please describe how any non-standard (e.g., biotech, specialty) drugs are to be priced.

2. Base Administrative Fee

Service to include package of requested services: Maintenance of in force, reporting package, issuance of cards, retrospective claim analysis, coordination of benefits, postage, issuance of cards, auditing pharmacies, managed care services, processing claim forms, maintenance of member balances, access to individual claim records and access of member to balances.

Please provide the following costs (if applicable):

- a. Per member per month or per script (please specify) = **\$X.XX**
- b. Additional services:
 - Extra Cards **\$XX.**
 - Claim detail **\$.XX** per page.
 - Mailing to employees **\$.XX** per unit per member.
 - Non-network fees per claim **\$X.XX.**
- c. Other additional services that are quoted separately (please explain with specificity).
- d. Performance Guarantees. Please describe the amounts the firm is willing to put up for performance guarantees in the following areas:
 - Generic substitution.
 - Call response time.
 - System response time.
 - DUR effectiveness.
 - Financial Accuracy.
 - Implementation satisfaction.

3. Transparency

In an effort to ensure “transparency”—i.e., that all costs and revenues associated with the administration of the TRB’s prescription drug plan are accurately and fully disclosed—the selected vendor will be required to provide pricing information such as the actual acquisition cost of brand and generic drugs at retail or delivered via mail order.

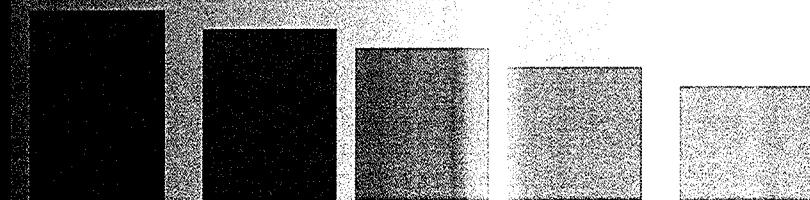
- a. Please indicate whether the firm is prepared to comply with this requirement.
- b. In addition, please indicated whether compliance with this requirement to increase administrative costs and, if so, by how much.

IX. Scoring Criteria

The TRB will utilize the following criteria to assess the bids that are submitted:

- A. Experience of the Vendor (10 Points)
- B. Experience/Background of the Individual Account/Service Manager (10 Points)
- C. Network of Pharmacies, Mail Order Services (15 Points)
- D. Formulary/MAC System (10 Points)
- E. Guarantees (Claims Processing/Accuracy/Reports) (10 Points)
- F. Pricing: Fees/Rebates (40 Points)
- G. Financial Strength (5 points)

Appendix A



RESPONSE REQUIREMENTS

The bidder's response package, as a minimum, must include the following:

- A. The firm's name, home office address, address of the office providing the services under the contract, and telephone numbers of each location**
- B. General description of the firm, including size, number of employees, primary business (consulting, pension planning, insurance, etc.), other business or services, type of organization (franchise, corporation, partnership, etc.) and other descriptive material**
- C. Identification of the personnel available for assignment on the engagement**
- D. Summary information regarding the professional and experience qualifications of supervising and support personnel who shall perform work under the contract**
- E. Identification of other personnel who shall be performing work under the contract**
- F. Description of the computer equipment and a statement as to the ownership and location of this equipment which will be utilized in the performance of the contract**
- G. Statement of the availability and location of staff (including actuaries) and other necessary resources for performing all services and providing deliverables within the time frames required**
- H. Identification of subcontractors, if any, to be used, the work they will be providing, and their qualifications**

- I. Statement of the firm's ability to perform pricing analysis of proposed legislation, complete with actuarial certificate showing assumptions, pricing base, actuarial implications on the total program, cost, and alternative funding techniques
- J. List of public employee retirement systems for which the firm currently provides actuarial consulting services (included in the services performed must be the review of the System's interest rate assumption on investments and a resulting recommendation), including the system name, approximate number of participants and number of years the firm has been retained. For three major public employee retirement systems included on the list (each involving 3,000 or more participants), provide the address, telephone number, name and title of person(s) responsible for the administration of the system.
- K. Description of the bidder's understanding of the work to be performed and the time frames associated with the annual evaluation.
- L. Submit the total fixed fee that you will charge for each task listed in Section II.A. above in a stand-alone assignment, or if appropriate an hourly rate for each person who might be involved in that task together with your estimate of the time that might be required.
- M. Identification and brief description of any current relationships with any other organization that could be a conflict with services performed for this System.
- N. Complete description on the attached form (Appendix B) of the bidder's employment of minorities and women, a description of the bidder's utilization of minority and women-owned contractors and suppliers, together with a description of the firm's equal opportunity and affirmative action efforts.

In addition to the above requirements, the bidder is encouraged to include other experience, factors, or strengths, which would assist the State Teachers' Retirement Board in assessing the firm's ability to meet the System's needs.

APPENDIX A

BIDDERS' INSTRUCTIONS

A. Presentations

Some bidders may be asked to give presentations and/or further explanations relative to their response to this RFP. In addition, the vendor awarded the contract may be required to make a presentation to the extent necessary to satisfy the Teachers' Retirement Board's requirements or needs.

B. Other Instructions

1. RESPONSE FORMAT

Questions should be answered according to the format of this RFP. Unanswered questions will be interpreted as negative answers.

2. CONFORMANCE TO INSTRUCTIONS

All responses to this RFP must conform to these instructions. Failure to follow the requested format maybe considered appropriate cause for rejection of the response.

3. SEALED BIDS

Bids must be submitted in a sealed envelope or carton, clearly marked with the appropriate project number, date, time of bid opening, and name and address of the bidder. Telegraphic and telephonic bids will not be accepted under any circumstance.

4. NUMBER AND SUBMISSION OF BIDS

Bids may be mailed or delivered in person according to the instructions in Item D., Section I of this RFP. Late bids will not be accepted and will be returned unopened to the bidder. Extensions will not be granted.

5. BID CLOSING DATE

Bids must be received and stamped not later than, Wednesday, November 2, 2005, at 2:00 p.m. All bids will be opened at the stipulated time and place, and any bidder who wishes to attend is invited to do so.

6. BIDDERS' PRICE

Bidders are required to submit a separate price for the work described in Section II. above. An hourly rate and an estimate of the time required may be substituted at the bidder's option, subject to the Board's concurrence that a fixed price is not feasible.

7. TAXES

The Teachers' Retirement Board is exempt from the payment of excise, transportation and sales taxes imposed by the Federal Government and/or the state. Such taxes must not be included in prices.

8. AUTHORIZED SIGNATURES

The proposal must be signed by an authorized official. The proposal must also provide the name, title, address and telephone number of individuals with authority to bind the company, and for those who may be contacted for the purpose of clarifying the information provided. A duly executed corporate resolution must be submitted as evidence of authorization to bind the company.

C. Terms and Conditions

1. RIGHTS RESERVED TO THE TEACHERS' RETIREMENT BOARD

The Teachers' Retirement Board reserves the right to award in part, to reject any and all Proposals in whole or in part, to waive technical defects, irregularities and omissions if, in its judgment, the best interests of the Board will be served.

2. CONFORMANCE WITH STATUTES

Administration of the Connecticut State Teachers' Retirement Board is governed by Connecticut General Statutes, Chapter 167a. Any contract awarded as a result of this RFP must be in full conformance with statutory requirements of the State of Connecticut and the Federal Government.

3. OWNERSHIP OF PROPOSALS

All proposals in response to this RFP are to be the sole property of the Teachers' Retirement Board, and subject to the provisions of Section 1-19 of the Connecticut General Statutes (The Freedom of Information Act).

4. OWNERSHIP OF SUBSEQUENT PRODUCTS

Any product, whether acceptable or unacceptable, developed under a contract awarded as a result of this RFP is to be the sole property of the Teachers' Retirement Board unless stated otherwise in the RFP or contract.

5. TERM AND RENEWAL

The Teachers' Retirement Board seeks an initial contract period of three years, from April 1, 2006 through March 31, 2009. After the initial period expires, the Board retains the option to renew the contract on a year-to-year basis.

6. STABILITY OF PROPOSED PRICES

Any price offerings from vendors must be valid for a period of 120 days from the due date of vendor Proposals.

7. ORAL AGREEMENTS

Any alleged oral agreement or arrangement made by a vendor with any agency or employee will be superseded by the written agreement.

8. AMENDING OR CANCELING REQUESTS

The Teachers' Retirement Board reserves the right to amend or cancel this RFP, prior to the due date and time, if it is in the best interests of the Board.

9. REJECTION FOR DEFAULT OR MISREPRESENTATION

The Teachers' Retirement Board reserves the right to reject the Proposal of any vendor which is in default of any prior contract or for misrepresentation.

10. TRB CLERICAL ERRORS IN AWARDS

The Teachers' Retirement Board reserves the right to correct inaccurate awards resulting from its clerical errors.

11. REJECTION OF QUALIFIED PROPOSALS

Proposals are subject to rejection in whole or in part if they limit or modify any of the terms and conditions and/or specifications of the RFP.

12. VENDOR PRESENTATION OF SUPPORTING EVIDENCE

A vendor, if requested, must be prepared to present evidence of experience, ability, service facilities, and financial standing necessary to satisfactorily meet the requirements set forth or implied in the Proposal.

13. CHANGES TO PROPOSAL

No additions or changes to the original Proposal will be allowed after submittal. While changes are not permitted, clarification at the request of the Board may be required at the bidder's expense.

14. COLLUSION

By responding, the vendor implicitly states that the Proposal is not made in connection with any competing vendor submitting a separate response to the RFP, and is in all respects fair and without collusion or fraud. It is further implied that the vendor did not participate in the RFP development process, had no knowledge of the specific contents of the RFP prior to its issuance, and that no employee of the Board participated directly or indirectly in the vendor's proposal preparation.

15. JOINT VENTURES

Several organizations may cooperate to submit a single proposal under which different organizations would fulfill different requirements, with one entity maintaining overall administrative responsibility.

16. SUBLetting OR ASSIGNING OR CONTRACT

The contract or any portion thereof, or the work provided for therein, or the right, title, or interest of the contractor therein may not be sublet, sold, transferred, assigned or otherwise disposed of to any person, firm, or corporation without the written consent of the Board.

No person, firm or corporation other than the vendor to whom the project is awarded shall be permitted to commence work on the project unless such consent has been granted.

17. DOCUMENTS OF THE CONTRACT

Once a contract is awarded to the successful bidder, it is agreed, acknowledged, and accepted by the parties, that the original RFP and its amendments; and the bidder's Proposal, along with any supporting documents, exhibits, etc.; shall become part of the contract award by reference since such documents clarify the intent and range of the Board's request, and establishes the qualifications, obligations, and responsibility of the contractor, i.e., the "successful bidder."

18. CONTRACT COMPLIANCE REPORTING

No proposal will be considered valid unless the CHRO, Contract Compliance Reporting Requirement Section of this RFP (see Appendix B), has been completed by the bidder and included with the bidder's proposal package.

19. AFFIRMATIVE ACTION AND CONTRACT COMPLIANCE

Bidders are advised that in addition to evaluating their qualification, experience, and capabilities; competitiveness of cost; and conformance to the RFP specification; weight will also be given to bidders who may qualify toward assisting the Board in meeting its Small Business Set-Aside goals, and to bidders who demonstrate a commitment to affirmative action by full compliance with CHRO regulations.

20. DISCRIMINATION AND LABOR RECRUITMENT

This project shall be subject to the Executive Orders No. Three and Seventeen, promulgated June 16, 1971 and February 15, 1973, and to the Guidelines and Rules of the State Labor Commissioner implementing Executive Order No. Three and further agree to submit reports of compliance staffing on Labor Department Form E.O. 3-1, when and as required.

21. TERMINATION OR CONTRACTS AND CONTRACTOR LIABILITY

Contract awards generated as a result of this RFP may be terminated:

- A. By mutual agreement of the contracting parties to terminate, specifying the effective date and the terms of termination.**

- B. By the Teachers' Retirement Board for cause, should the contractor fail to fulfill in a timely and proper manner the obligations under this contract, or if the contractor shall violate any of the covenants, agreements, or stipulations of this contract. The Board shall thereupon have the right to terminate this contract by giving written notice to the contractor of such termination and specifying the effective date thereof, at least 30 days before the effective date of such termination. In such event, and if progress payments have been made to the contractor, all finished or unfinished documents, data, studies, and reports prepared by the contractor under this contract shall become the property of the Teachers' Retirement Board.**

Notwithstanding the above, the contractor shall not be relieved of liability to the Teachers' Retirement Board for damages sustained by the Board by virtue of any breach of the contract by the contractor, and the Board may withhold any payments to the contractor for the purpose of set-off until such time as the exact amount of damages due to the Board from the Contractor is determined.

22. COST FOR PROPOSAL PREPARATION

Any costs incurred by proposing contractors in preparing or submitting proposals are the proposing contractor's sole responsibility; the Board will not reimburse any proposing contractor for any costs incurred prior to the award.

23. PAYMENTS AGAINST A CONTRACT AWARD

Under no circumstances shall a selected contractor begin to provide contractual services to the Teachers' Retirement Board prior to the start date indicated in an official, complete, and fully signed contract award document.

In no case shall a contractor bill the Teachers' Retirement Board amounts in excess of the amount(s) indicated in the original contract award agreement. Any authorized or agreed additional charges can only be approved for payment against a properly executed and signed Contract Award Amendment.

Contractors will be paid in accordance with contract award amount(s) upon satisfactory completion of the contract, or in accordance with a specified progress payment schedule if applicable.

Confidential Information

Proposers are advised not to include in their proposals any proprietary information. The Connecticut Freedom of Information Act generally requires the disclosure of documents in the possession of the State upon request of any citizen, unless the content of the document falls within certain categories of exemption. An example of an exemption is a "trade secret," as defined by statute (C.G.S. § 1-19(b)(5)). If the information is not readily available to the public from other sources and the Proposer submitting the information requests confidentiality, then the information generally is considered to be "given in confidence." Confidential information must be isolated from other material in the proposal and labeled CONFIDENTIAL.

Affidavit Concerning Gifts and Campaign Contributions

Pursuant to Public Act 04-245, all Proposers must provide a signed affidavit attesting to whether or not gifts were provided to certain public officials or State employees during the two-year period preceding the submission of a proposal. In addition, pursuant to paragraph 8 of Governor M. Jodi Rell's Executive Order No. 1, anyone who files an affidavit pursuant to Public Act 04-245 shall disclose in those affidavits all contributions made to campaigns of candidates for state-wide public office or the General Assembly. Further, any Contractor who is awarded a large State contract shall update the affidavit on an annual basis. Go to http://www.opm.state.ct.us/policies.htm#Office_Secretary for the most current information about the affidavits.

D. Statutory Information

NON-DISCRIMINATION CLAUSE

- (1) The contractor agrees and warrants that in the performance of the contracts such contractor will not discriminate or permit discrimination against any person or group of persons on the grounds of race, color, religious creed, age, marital status, national origin, ancestry, sex, mental retardation or physical disability including, but not limited to, blindness, unless it is shown by such contractor that such disability prevents performance of the work involved, in any manner prohibited by the laws of the United States or of the State of Connecticut. The contractor further agrees to take affirmative action to insure that applicants with job-related qualifications are employed and that employees are treated when employed without regard to their race, color, religious creed, age, marital status, national origin, ancestry, sex, mental retardation, or physical disability, including but not limited to, blindness, unless it is shown by such contractor that such disability prevents performance of the work involved; (2) the contractor agrees, in all solicitations or advertisements for employees placed by or on behalf of the contractor, to state that it is an "affirmative action-equal opportunity employer" in accordance with regulations adopted by the commission; (3) the contractor agrees to provide each labor union or representative of workers with which such contractor has a collective bargaining agreement or other contact or understanding and each vendor with which such contractor has a contract or understanding; a notice to be provided by the Commission advising the labor union or workers' representative of the contractor's commitments under this section, and to post copies of the notice in conspicuous places available to employees and applicants for employment; (4) the contractor agrees to comply with each provision of this section and sections 46a-68e and 46a-68f and with each regulation or relevant order issued by said Commission pursuant to sections 46a-56, 46a-68e and 46a-68f; (5) the contractor agrees to provide the Commission on Human Rights and Opportunities with such information requested with such information requested by the concerning the employment practices and procedures of

the contractor as relate to the provisions of this section and section 46a-56. If the contract is a public works contract, the contractor agrees and warrants that he will make good faith efforts to employ minority business enterprises as subcontractors and suppliers of materials on such public works project.

(1)The contractor agrees and warrants that in the performance of the contract such contractor will not discriminate or permit discrimination against any person or group of persons on the grounds of sexual orientation, in any manner prohibited by the laws of the United State or of the State of Connecticut, and that employees are treated when employed without regard to their sexual orientation; (2) the contractor agrees to provide each labor union or representative of workers with which such contractor has a collective bargaining agreement or other contract or understanding and each vendor with which such contractor has a contract or understanding, a notice to be provided by the Commission on Human Rights and Opportunities advising the labor union or workers' representative of the contractor's commitments under this section, and to post copies of the notice in conspicuous placed available to employees and applicants for employment; (3) the contractor agrees to comply with teach provision of this section and with each regulations or relevant order issued by said commission pursuant to section 46a-56 of the general statutes; (4) the contractor agrees to provide the Commission on Human Rights and Opportunities with such information requested by the Commission, and permit access t pertinent books, records and accounts, concerning the employment practices and procedures of the contractor which relate to the provisions of this section and section 46a-56 of the general statutes.

All bidders agree to comply with the following executive order.

**STATE OF CONNECTICUT
BY HER EXCELLENCY
M. JODI RELL
GOVERNOR
EXECUTIVE ORDER NO. 3**

WHEREAS, the state government contracting process and procedures must be open, honest fair and accessible at all times; and

WHEREAS, a growing demand for information in electronic form and for direct access to electronic records is changing the way the public accesses government information and documents; and

WHEREAS, making state bids and contracts easily available to the public and vendor community at all times in a single electronic location will increase the ease in which information is exchanged; and

WHEREAS, a single location for information regarding the purchase of goods and services will provide for more accurate and less cumbersome auditing practices and procedures; and

WHEREAS, a single portal for procurement information will increase transparency of the procurement process; and

WHEREAS, a single location for information regarding the purchase of goods and services will increase interest in vendors in submitting competitive bids; and

WHEREAS, an increased interest by vendors and an increased transparency of the procurement process will result in greater and more active participation in the state contracting process by small businesses and women and minority owned enterprises; and

WHEREAS, a single location for such information will facilitate the communication of changes and amendments to state contracts; and

WHEREAS, a single portal for procurement information will reduce postage and paper expenses, internal staffing time and advertising costs to the extent permitted by state law and as reasonably practicable and will increase the efficiency of the procurement process.

NOW, THEREFORE, I, M. Jodi Rell, Governor of the State of Connecticut, acting by virtue of the authority vested in me by the Constitution and by the statutes of this state, do hereby **ORDER** and **DIRECT** that:

- (1) The Department of Administrative Services shall establish and maintain a single electronic portal available on the World Wide Web and located on the Department of Administrative Services' website (the "State Contracting Portal") for purposes of posting all contracting opportunities with state agencies in the executive branch and all higher education agencies and institutions.
- (2) The State Contracting Portal shall, among other things, include: (i) all bids, requests for proposals, related materials and all resulting contracts and agreements by state agencies; (ii) a searchable database for locating information; (iii) A State Procurement & Contract Manual or other similar information designated by the Department of Administrative Services as describing approved contracting processes and procedures; and (iv) prominent features to encourage the active recruitment and participation of small businesses and women and minority owned enterprises in the State contracting process.
- (3) All state agencies in the executive branch and all higher education agencies and institutions shall post all bids, requests for proposals and all resulting contracts and agreements on the State Contracting Portal and shall, with the assistance of the Department of Administrative Services and the Department of Information Technology as needed, develop the infrastructure and capability to electronically communicate with the State Contracting Portal.
- (4) All state agencies in the executive branch and all higher education agencies and institutions shall develop written policies and procedures to ensure that information posted to the State Contracting Portal is done in a timely, complete and accurate manner consistent with the highest legal and ethical standards of state government.
- (5) The Department of Administrative Services shall periodically report to the Office of the Governor on the progress of all state agencies in the executive branch and all higher education agencies and institutions in developing the capacity, infrastructure, policies and procedures to electronically communicate with the State Contracting Portal as well as the Department of Administrative Services' progress toward establishment and maintenance of the State Contracting Portal.
- (6) This order shall be effective upon signing.

Dated at Hartford, Connecticut, this 15th day of December, 2004.

M. JODI RELL
Governor

COMMISSION ON HUMAN RIGHTS AND OPPORTUNITIES CONTRACT COMPLIANCE REGULATIONS NOTIFICATION TO BIDDERS

The contract to be awarded is subject to contract compliance requirements mandated by Sections 4a-60 and 4a-60a of the Connecticut General Statutes; and, when the awarding agency is the State, Sections 46a-71(d) and 46a-81i(d) of the Connecticut General Statutes. There are Contract Compliance Regulations codified at Section 46a-68j-21 through 43 of the Regulations of Connecticut State Agencies, which establish a procedure for awarding all contracts covered by Sections 4a-60 and 46a-71(d) of the Connecticut General Statutes.

According to Section 46a-68j-30(9) of the Contract Compliance Regulations, every agency awarding a contract subject to the contract compliance requirements has an obligation to "aggressively solicit the participation of legitimate minority business enterprises as bidders, contractors, subcontractors and suppliers of materials." "Minority business enterprise" is defined in Section 4a-60 of the Connecticut General Statutes as a business wherein fifty-one percent or more of the capital stock, or assets belong to a person or persons: "(1) Who are active in daily affairs of the enterprise; (2) who have the power to direct the management and policies of the enterprise; and (3) who are members of a minority, as such term is defined in subsection (a) of Section 32-9n." "Minority" groups are defined in Section 32-9n of the Connecticut General Statutes as "(1) Black Americans . . . (2) Hispanic Americans . . . (3) persons who have origins in the Iberian Peninsula . . . (4) Women . . . (5) Asian Pacific Americans and Pacific Islanders; (6) American Indians . . ." An individual with a disability is also a minority business enterprise as provided by Section 4a-60g of the Connecticut General Statutes. The above definitions apply to the contract compliance requirements by virtue of Section 46a-68j-21(11) of the Contract Compliance Regulations.

The awarding agency will consider the following factors when reviewing the bidder's qualifications under the contract compliance requirements:

- (a) the bidder's success in implementing an affirmative action plan;
- (b) the bidder's success in developing an apprenticeship program complying with Sections 46a-68-1 to 46a-68-17 of the Administrative Regulations of Connecticut State Agencies, inclusive;
- (c) the bidder's promise to develop and implement a successful affirmative action plan;
- (d) the bidder's submission of employment statistics contained in the "Employment Information Form", indicating that the composition of its workforce is at or near parity when compared to the racial and sexual composition of the workforce in the relevant labor market area; and
- (e) the bidder's promise to set aside a portion of the contract for legitimate minority business enterprises. See Section 46a-68j-30(10)(E) of the Contract Compliance Regulations.

EMPLOYMENT INFORMATION FORM

**STATE OF CONNECTICUT
COMMISSION ON HUMAN RIGHTS & OPPORTUNITIES
WORKFORCE ANALYSIS AFFIRMATIVE ACTION REPORT**

BIDDER/CONTRACTOR	ADDRESS	CONTACT PERSON	DATE
		PHONE NUMBER	CONTRACT AWARD NUMBER

Report all permanent full-time or part-time employees, including apprentice and on-the-job trainees. Enter the numbers on all lines and in all columns.

JOB CATEGORIES	OVERALL TOTALS (Sum of all Columns, A thru E Male and Female)		A WHITE (NOT OF HISPANIC ORIGIN)		B BLACK (NOT OF HISPANIC ORIGIN)		C HISPANIC		D ASIAN OR PACIFIC ISLANDER		E AMER. INDIAN OR ALASKAN NATIVE	
	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE
Officials and Managers												
Professionals												
Technicians												
Sale Workers												
Office and Clerical												
Craft Workers <i>(Skilled)</i>												
Operatives <i>(Semi-skilled)</i>												
Laborers <i>(Unskilled)</i>												
Service Workers												
TOTALS ABOVE												
Explain:												
Do you use minority businesses as subcontractors or suppliers? <input type="checkbox"/> YES <input type="checkbox"/> NO												
If Ct. based, do you post all employment openings with the State of Connecticut Employment Service? <input type="checkbox"/> YES <input type="checkbox"/> NO												
Do you implement a written Affirmative Action Plan? <input type="checkbox"/> YES <input type="checkbox"/> NO												
DESCRIBE YOUR RECRUITMENT, HIRING, TRAINING AND PROMOTION ANTIDISCRIMINATION PRACTICES												

**Affidavit for Certification of Subcontractors
as Minority Business Enterprises (MBE)**
*(to be completed only for subcontractors not certified as MBE's
by the Department of Administrative Services)*

To document the •good faith efforts• of the below named state contractor to include minority business enterprises as subcontractors (for services and/or material suppliers) on the state contract also identified below, I certify that the following subcontractors meet the criteria for minority business enterprises set forth in CONN. GEN. STAT. § 4a-60(b). I attest that each named minority business enterprise will be contracted by the named state contractor to participate on the identified state contract as a subcontractor.

The subcontractors being identified to be bona fide minority business enterprises are:

Subcontractor Name	Complete Address	Subcontractor's Principal Officer's Name

(use additional sheets as necessary)

I further certify and affirm that I have read and understand the contract compliance requirements codified at CONN. GEN. STAT. Sections 4a-60 & 46a-71(d), and the Contract Compliance Regulations codified at Sections 46a-68j-21 through 43 of the Administrative Regulations of Connecticut State Agencies. I also understand that any false statements made herein are punishable by law.

state contractor legal name

type full printed name and title of official
submitting this affidavit on behalf of
contractor

state contract number

signature of official

state contract awarding agency

date of affidavit

Subscribed and sworn to before me, this _____ day of _____ 20_____

Notary Public/Commissioner of the Superior Court
My Commission expires _____

**STATE OF CONNECTICUT
COMMISSION ON HUMAN RIGHTS AND OPPORTUNITIES**

NOTICE CONCERNING CONTRACT COMPLIANCE RESPONSIBILITIES

TO ALL LABOR UNIONS, WORKERS REPRESENTATIVES AND VENDORS:

Any contract this contractor has with the State of Connecticut or political subdivisions of the state other than municipalities shall be performed in accordance with CONN. GEN. STAT. Section 4a-60 and Section 4a-60a.

This means that this contractor:

1. Agrees to provide the Commission on Human Rights and Opportunities (CHRO) with any information concerning this contractor's employment practices and procedures which relates to our responsibilities under CONN. GEN. STAT. Sections 4a-60 or 46a-56 or Section 4a-60a; and
2. Agrees to include the provisions of CONN. GEN. STAT. Section 46a-60(a) and Section 4a-60a in each and every subcontract and purchase order and to take whatever action the CHRO deems necessary to enforce these provisions.

WITH REGARD TO RACE, COLOR, RELIGIOUS CREED, AGE, MARITAL STATUS, NATIONAL ORIGIN, ANCESTRY, SEX, MENTAL RETARDATION OR PHYSICAL DISABILITY, this means that this contractor:

1. Shall not discriminate or permit discrimination against anyone;
2. Shall take affirmative action so that persons applying for employment are hired on the basis of job-related qualifications and that employees once hired are treated without regard to their race, color, religious creed, age, marital status, national origin, ancestry, sex, mental retardation or physical disability, unless the contractor can show that the disability prevents performance of the work involved;
3. Shall state in all advertisements for employees that it is an *affirmative action-equal opportunity employer*;
4. Shall comply with CONN. GEN. STAT. Sections 4a-60, 46a-68e and 46a-68f and with each regulation or relevant order issued by the CHRO under CONN. GEN. STAT. Sections 46a-56, 46a-68e and 46a-68f; and
5. Shall make, if the contract is a public works contract, good faith efforts to employ minority business enterprises as subcontractors and suppliers of materials.

WITH REGARD TO SEXUAL ORIENTATION, WHICH INCLUDES HOMOSEXUALITY, BISEXUALITY AND HETEROSEXUALITY:

1. The contractor will not discriminate or permit discrimination against anyone, and employees will be treated without regard to their sexual orientation once employed; and
2. The contractor agrees to fully comply with Section 4a-60a and each regulation or relevant order issued by the CHRO under CONN. GEN. STAT. Section 46a-56.

Persons having questions about this notice or their rights under the law are urged to contact the:

**COMMISSION ON HUMAN RIGHTS AND OPPORTUNITIES
DIVISION OF AFFIRMATIVE ACTION, MONITORING & CONTRACT COMPLIANCE**

21 Grand Street
Hartford, Connecticut 06106
(860) 541-3400

COPIES OF THIS NOTICE SHALL BE POSTED IN CONSPICUOUS PLACES
AVAILABLE TO ALL EMPLOYEES AND APPLICANTS FOR EMPLOYMENT

Bid / Proposal Affidavit

Gift/Campaign Contribution Affidavit to Accompany Bid or Proposal for Large State Contracts, Pursuant to Sections 2, 3 and 4 of Public Act 04-245 and Governor M. Jodi Rell's Executive Order No. 1, para 8.

I, Type/Print Name, Title and Name of Firm or Corporation, hereby swear that during the two-year period preceding the submission of this bid or proposal that neither myself nor any principals or key personnel of the submitting firm or corporation who participated directly, extensively and substantially in the preparation of this bid or proposal nor any agent of the above gave a gift, as defined in Conn. Gen. Stat. §1-79(e), including a life event gift as defined in Conn. Gen. Stat. §1-79(e)(12), to (1) any public official or state employee of the state agency or quasi-public agency soliciting the bids or proposals who participated directly, extensively, and substantially in the preparation of the bid solicitation or preparation of request for proposal or (2) to any public official or state employee who has supervisory or appointing authority over the state agency or quasi-public agency soliciting the bid or proposal, except the gifts listed below:

<u>Name of Benefactor</u>	<u>Name of recipient</u>	<u>Gift Description</u>	<u>Value</u>	<u>Date of Gift</u>
List information here				

Further, neither I nor any principals or key personnel of the submitting firm or corporation who participated directly, extensively and substantially in the preparation of this bid or proposal know of any action to circumvent this gift/campaign contribution affidavit.

Further, during the two-year period preceding the submission of this bid or proposal, neither I nor any principals or key personnel of the submitting firm or corporation who participated directly, extensively and substantially in the preparation of this bid or proposal nor any agent of the above gave a contribution to a candidate for statewide public office or the General Assembly, as defined in Conn. Gen. Stat. §9-333b, except as listed below:

<u>Contributor</u>	<u>Recipient</u>	<u>Amount/Value</u>	<u>Date of Contribution</u>	<u>Contribution Description</u>
--------------------	------------------	---------------------	-----------------------------	---------------------------------

List information here

Sworn as true to the best of my knowledge and belief, subject to the penalties of false statement.

Signature

Date

Sworn and subscribed before me on this _____ day of _____, 200____

Commissioner of the Superior Court
Notary Public

Contract Affidavit

**Gift/Campaign Contribution Affidavit to Accompany
Large State Contracts, Pursuant to Section 2, 3 and 4 of Public Act 04-245
and Governor M. Jodi Rell's Executive Order No. 1, para 8.**

I, Type/Print Name, Title and Name of Firm or Corporation, hereby swear that between the date the affidavit was signed accompanying the bid or proposal for this contract and the date this contract was executed neither myself nor any principals or key personnel of the submitting firm or corporation who participated directly, extensively and substantially in the preparation of the bid or proposal or in the negotiation or award of the subject contract, nor any agent of the above, gave a gift, as defined in Conn. Gen. Stat. § 1-79(e), including a life event gift as defined in Conn. Gen. Stat. § 1-79(e)(12), to (1) any public official or state employee of the state agency or quasi-public agency soliciting the bids or proposals who participated directly, extensively, and substantially in the preparation of the bid solicitation or preparation of request for proposal or in the negotiation or award of the subject contract or (2) to any public official or state employee who has supervisory or appointing authority over the state agency or quasi-public agency soliciting the bid or proposal, except the gifts listed below:

<u>Name of Benefactor</u>	<u>Name of Recipient</u>	<u>Gift Description</u>	<u>Value</u>	<u>Date of Gift</u>
---------------------------	--------------------------	-------------------------	--------------	---------------------

List information here

Further, neither I nor any principal or key personnel of the submitting firm or corporation who participated directly, extensively or substantially in the preparation of the bid or proposal or in the negotiation or award of the subject contract know of any action to circumvent this gift/campaign contribution affidavit.

Further, between the date the affidavit was signed accompanying the bid or proposal for this contract and the date this contract was executed, neither I nor any principal or key personnel of the submitting firm or corporation who participated directly, extensively and substantially in the preparation of the bid or proposal or in the negotiation or award of the subject contract, nor any agent of the above, gave a contribution to a candidate for statewide public office or the General Assembly, as defined in Conn. Gen. Stat. § 9-333b except the contributions listed below:

<u>Contributor</u>	<u>Recipient</u>	<u>Amount/Value</u>	<u>Date of Contribution</u>	<u>Contribution Description</u>
--------------------	------------------	---------------------	-----------------------------	---------------------------------

List information here

Sworn as true to the best of my knowledge and belief, subject to the penalties of false statement.

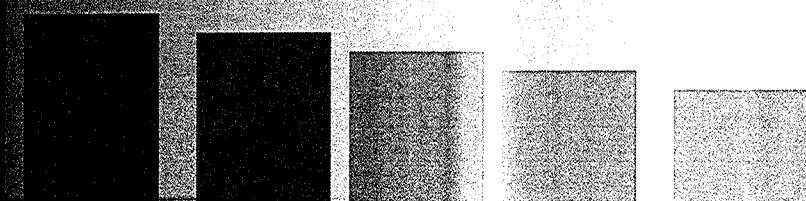
Signature

Date

Sworn and subscribed before me on this _____ day of _____, 200____

Commissioner of the Superior Court
Notary Public

Appendix B



**PLAN DOCUMENT
AND
SUMMARY PLAN DESCRIPTION**

**STATE OF CONNECTICUT
TEACHERS' RETIREMENT BOARD
HEALTH AND PRESCRIPTION DRUG
BENEFITS PLAN**

**INCLUDING DESCRIPTIONS OF THE OPTIONAL
DENTAL, VISION AND HEARING BENEFITS**

REVISIONS THROUGH JANUARY 1, 2003

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For Hospital, Medical information, call - Stirling & Stirling at 1-800-447-6689	
For Prescription Drug Services information, call - Medco Health at 1-800-711-0917 or visit their website at www.medcohealth.com	
For Dental information, call - Delta Dental at 1-800-452-9310 or visit their website at www.deltadentalnj.com	

INTRODUCTION

Your (our) health benefits plan provided by the Connecticut State Teachers' Retirement Board will contain four separate sections. The services covered under each of these sections are detailed in this Summary Plan Description as follows:

- Section A - Basic Hospital Benefits
- Section B - Basic Medical Benefits
- Section C - Major Medical Benefits
- Section D - Pharmacy and Mail Service Prescription Drug Benefits

These sections are followed by description of the optional dental, vision and hearing coverage.

If you have both Part A and Part B of Medicare, you will be covered under all four sections of the medical Plan. For Non-Medicare Part B members, coverage is provided under Section A (Basic Hospital Benefits) and Section D (Pharmacy and Mail Service Prescription Drug Benefits).

Connecticut State Teachers' Retirement Board fully intends to maintain this Plan indefinitely. However, it reserves the right to terminate, suspend, discontinue or amend the Plan at any time upon advance notice to all Eligible Members. Changes in the Plan may occur in any or all parts of the Plan including benefit coverage, maximums, exclusions, limitations, definitions, eligibility and the like. If the Plan is terminated, the rights of Eligible Members are limited to covered charges incurred before termination.

ELIGIBILITY, FUNDING, EFFECTIVE DATE AND TERMINATION PROVISIONS

RETIREE COVERAGE

Eligible Members include all of the following who are enrolled in Medicare Part A:

A retired member receiving retirement or disability benefits from the Connecticut Teachers' Retirement Board or

A Spouse of a retired member or

A surviving Spouse of a retired member. A surviving Spouse ceases to be an Eligible Member upon remarriage.

Enrollment Requirements. An Eligible Member must enroll for coverage by filling out and signing an enrollment application. The application must be sent to the State of Connecticut Teachers' Retirement Board, 21 Grand Street, Hartford, Connecticut 06106. Such enrollment application should be received no later than the 25th day of the second month preceding the effective date of coverage.

Effective Date of Member Coverage. An Eligible Member will be covered under this Plan on the first day of the month providing enrollment requirements are met. Enrollment applications must be received by the 25th of the month plus one intervening month before coverage may become effective. For example, for June 1 coverage, an enrollment application must be received by April 25.

When Coverage Terminates. Coverage will terminate on the earliest of these dates:

- (1) The date the Plan is terminated.
- (2) The date on which he or she is no longer an Eligible Member.
- (3) The date that the member fails to make a required contribution.

SCHEDULE OF MEDICAL BENEFITS

Verification of Eligibility or Prior Approval of Hospital and Skilled Nursing Facility Care Services.

To verify eligibility or to obtain approval for Plan benefits before the charge is incurred call Stirling & Stirling at (800) 447-6689.

SECTION A - BASIC HOSPITAL BENEFITS

This Section is designed to supplement Medicare for Hospital expenses. There will be no duplication of benefits.

This Section is available to Eligible Members with Part A of Medicare.

Inpatient Hospital Care

The Plan will pay the Medicare Part A Hospital deductible.

Medicare Part A provides a benefit period of 90 days. Medicare pays approved expenses in full during the first 60 days of a benefit period. This Plan will pay the share

of approved expenses from the 61st day to the 90th day of a benefit period not paid by Medicare Part A.

Medicare Part A provides 60 reserve days in a Lifetime. During these reserve days, this Plan pays the portion of approved expenses not paid by Medicare.

If an Eligible Member has exhausted all Medicare Hospital benefit days, including the Lifetime reserve days, this Plan will, once prior approval is obtained, pay the cost of a General Hospital Semi-private room, meals, general nursing care, and all hospital special services toward 365 additional lifetime days. These benefits are not available for nervous mental conditions.

Out of Country Inpatient Hospital Care

This Plan will cover the full cost of the Hospital Semi-private room and all special services, with the exception of personal comfort items, for a benefit period of 30 days outside of the United States.

Inpatient Skilled Nursing Facility Care

This plan will cover expenses listed below only if all the following conditions are met:

- (1) The facility is a Medicare-participating Skilled Nursing Facility, and
- (2) The patient's condition requires daily skilled nursing or skilled rehabilitation services, and
- (3) The patient has been in a Hospital at least three days in a row (not counting the day of discharge), and

- (4) The patient is admitted to the facility within 30 days after he or she leaves the Hospital, and
- (5) Care in the facility is for the same condition that was treated in the Hospital, and

- (6) A medical professional certifies that the patient needs, and receives, skilled nursing or skilled rehabilitation services on a daily basis, and
- (7) The facility must not be a place primarily for the treatment of nervous-mental disorders, pulmonary tuberculosis, a place of rest, custodial care, or acute inpatient level of care, and

- (8) Care in the facility is not for long term custodial care, and
- (9) Prior approval has been obtained from Stirling & Stirling prior to admission to the facility.

Medicare Part A covers in full the first 20 days of care in a participating facility. This plan pays the co-insurance not paid by Medicare Part A for the next 80 days provided the admission is approved by Medicare and prior approval is obtained

Home Health Aide Services

This Plan will pay up to \$500 per Calendar Year, provided all the following conditions are met:

- (1) The services are provided by a certified home health aide who is employed by a Home Health Agency licensed by the State

of Connecticut or the State Governing the agency,

- (2) The attending Physician has certified in writing that the services are Medically Necessary, and
- (3) Limited to 4 hours per day.
- (4) The services are not paid by Medicare.

SECTION B - BASIC MEDICAL BENEFITS

This Section is designed to supplement Medicare Part B for Medical expenses. There will be no duplication of benefits.

This Section is available to Eligible Members with both Part A and Part B of Medicare. It is not available to retirees with only Part A of Medicare.

Medicare Part B helps pay for:

- (1) Medical and surgical service provided in the Physician's office, in a Hospital, in a Skilled Nursing Facility, in a patient's home or any other location.
- (2) Diagnostic tests.
- (3) Radiology and pathology services by Physicians while an Eligible Member is a Hospital inpatient or outpatient.
- (4) X-rays.

(5) Drugs and Biologicals that cannot be self-administered.

- (6) Durable Medical Equipment.

Before Medicare pays for any of the above expenses, a Calendar Year deductible is applied. This Plan will not cover this deductible.

This Plan will pay the balance (20%) of the amounts approved by Medicare for the covered services after the Calendar Year deductible. Prior approval by Stirling & Stirling is required for hospital and Skilled Nursing Facility benefits.

The Plan will provide coverage for the reasonable cost of the first three pints of blood (or equivalent quantities of packed red blood cells, as defined under federal regulations) unless replaced in accordance with federal regulations or already paid for under Medicare Part B.

SECTION C - MAJOR MEDICAL BENEFITS

This Section is designed to supplement Medicare Parts A and B and the Basic Benefits listed above. There will be no duplication of benefits.

This Section is available to all Eligible Members who are enrolled in Medicare Parts A and B. It is not available to Eligible Members who are not enrolled in Part A and Part B of Medicare.

Deductible payable by Eligible Members, per Calendar Year

Per Eligible Member \$100.00

It is the responsibility of Eligible Members to pay the deductible portion of the charges for covered services each Calendar Year before any Major Medical Benefits are received.

The Plan pays 80% per Calendar Year

Maximum Benefit Amounts

Lifetime, while covered \$100,000

In order to be eligible for reinstatement of the Lifetime maximum benefits under this Major Medical Benefits Section, the Eligible Member must have a 30-day period without claims.

There are other maximums on individual benefits. These follow under Benefit Limits.

BENEFIT LIMITS

Out of Country

This Plan provides payment after the deductible for covered services, which are received outside of the United States. Payment is limited to the amount payable for equivalent services under the medical/surgical benefits in effect at the time when the services were incurred.

Skilled Nursing Facility

Covered daily charge limit the facility's Usual and Reasonable Charge

Calendar Year Maximum 120 days if approved by Medicare

Outpatient Private Duty Nursing

Percentage payable same as for other
Medicare approved Sickness

Spinal Manipulation/Chiropractic Services

Percentage payable same as for other
Medicare approved Sickness

Outpatient Physical/Speech and Occupational Therapy

Percentage payable same as for other
Medicare approved Sickness

DEDUCTIBLE

Deductible Amount. This is an amount of covered charges for which no benefits will be paid. Before benefits can be paid in a Calendar Year an Eligible Member must meet the deductible shown in the Schedule of Benefits.

BENEFIT PAYMENT

Each Calendar Year, benefits will be paid for the covered charges of an Eligible Member that are in excess of the deductible. Payment will be made at the rate shown under Percentage Payable in the Schedule of Benefits. No benefits will be paid in excess of the Maximum Benefit Amount or the "Benefit Limits" of the Plan.

MAXIMUM BENEFIT AMOUNT

The Maximum Benefit Amount is shown in the Schedule of Benefits. It is the total amount of benefits that will be paid under the Plan for all covered charges incurred by an Eligible Member.

COVERED CHARGES

Covered charges are the Usual and Reasonable Charges that are incurred for the following items of service and supply not already provided in Medicare or the Basic Benefits of this Plan. These charges are subject to the "Benefit Limits" of this Plan. A charge is incurred on the date that the service or supply is performed or furnished.

(1) Additional Skilled Nursing Facility Care

This plan will provide an additional 120 days after Medicare 100 days have been exhausted, only if all the following conditions are met:

- (a) the patient is confined as a bed patient in the facility;
- (b) the confinement is for the same condition that was treated in the hospital;
- (c) the condition requires daily skilled nursing care or skilled rehabilitation services which, can only be provided in a Skilled Nursing Facility;
- (d) the attending Physician completes a treatment plan which includes a diagnosis, the proposed course of treatment and the projected date of discharge from the Skilled Nursing Facility; and
- (e) The facility must not be a place primarily for the treatment of nervous-mental disorders, pulmonary tuberculosis, a place of rest, custodial care, or acute inpatient level of care.
- (f) Prior approval of services must be obtained from Stirling & Stirling prior to the admission to the facility.

Patient must be confined for rehabilitation services only and not for long term care.

(2) Private Duty Nursing Care

- (a) Services provided in or outside a Hospital by an actively practicing registered nurse (RN) or a licensed practical nurse (LPN). This care must require the continual skill of a RN or LPN in accordance with a Physician's (MD) prescribed plan of care. Coverage for any one RN or LPN will be limited to 8 hours in each continuous 24-hour period.

- (b) Services of a visiting nurse (RN or LPN) which are required on a periodic basis in accordance with a Physician's (MD) prescribed plan of care.

- (c) Nursing Services require prior approval from Stirling & Stirling prior to the beginning of a course of care.

(3) Veterans Benefits

Medicare does not cover services from Veterans Affairs (VA) hospitals or other VA facilities. This plan will pay 20% for out patient services after the deductible has been satisfied. For in-patient charges the plan will pay according to Medicare guidelines, Medicare Part A deductible & co-insurance.

(4) Chiropractic Services

Chiropractic Services will be paid to the maximum shown in the Schedule of Benefits. The Plan will pay for Modalities not covered by Medicare provided that the Spinal Manipulation was approved by Medicare for the day of treatment.

(5) Outpatient Physical/Speech and Occupational Therapy

This plan will provide Physical Therapy after the Medicare maximum has been met, up to an amount equal to the annual Medicare maximum, if the following materials are received:

- (a) copy of physician's referral indicating medical necessity
- (b) treatment plan including the projected number of treatments and length of treatment program.
- (c) prior approval has been obtained from Stirling & Stirling prior to the beginning of treatment.

CARE FOR MOUTH, TEETH AND GUMS

Charges for the care of the mouth, teeth, gums and alveolar processes will be covered charges under Medical Benefits only if that care is for the following oral surgical procedures:

- (1) Excision of tumors and cysts of the jaws, cheeks, lips, tongue, roof and floor of the mouth.
 - (2) Prompt repair of sound natural teeth required as a result of an accidental injury while covered under this Plan. Injury as a result of chewing or biting will not be considered an accidental injury.
 - (3) Surgery needed to correct accidental injuries to the jaws, cheeks, lips, tongue, floor and roof of the mouth when the injuries occurred while covered under the Plan.
 - (4) Excision of benign bony growths of the jaw and hard palate.
 - (5) Removal of impacted teeth.
- No charge will be covered under Medical Benefits for dental and oral surgical procedures involving orthodontic care of the teeth, periodontal disease and preparing the mouth for the fitting of or continued use of dentures.

SECTION D - PHARMACY AND MAIL SERVICE PRESCRIPTION DRUG BENEFITS

This Section is available to all Eligible Members.

Retail and Mail Order Pharmacy Options

Deductible, per person calendar year \$250.00

Coinurance levels

Retail Pharmacy

Non-Maintenance Medications:

For Generic drugs	85% by plan
For Preferred drugs	80% by plan
For Non-Preferred drugs	70% by plan

Maintenance Medications

(After Original Rx plus 1st refill):

For Generic drugs	80% by plan
For Preferred drugs	75% by plan
For Non-Preferred drugs	65% by plan

Mail Order Pharmacy

Maintenance Medications:

For Generic drugs	85% by plan
For Preferred drugs	80% by plan
For Non-Preferred drugs	70% by plan

The maximum out of pocket (sum of deductible and coinsurance) for covered drug benefits is limited to \$2,000 per member effective for the 2002 calendar year.

PARTICIPATING PHARMACY DRUG CHARGE

Participating pharmacies have contracted with the Plan to charge Eligible Members reduced fees for Prescription Drugs. Systemed, Inc. is the Board's Pharmacy Benefit Manager.

RETAIL PHARMACY COINSURANCE

The coinsurance is applied to each covered pharmacy drug charge and is shown in the Schedule of Benefits.

The coinsurance amount is not a covered charge under the Medical Plan. Any one prescription is limited to a 34-day supply.

If a drug is purchased from a non-participating pharmacy or a participating pharmacy without evidence of coverage the amount payable by the member will be the retail cost of the drug less the payment that would have been available for in-network usage. For emergency situations or use outside of the country, for short-term travel, the cost to the member will be the retail cost of the drug less the applicable coinsurance rate.

MAIL SERVICE OPTION

The mail service option will only be available through the designated mail service provider. The purpose of the mail service is to allow members to receive maintenance medications with longer-term refills. The maximum supply for any one mail order prescription is limited to a 90-day supply.

MAIL ORDER COINSURANCE

The coinsurance is applied to each covered mail service prescription. The coinsurance rate is shown in the Schedule of Benefits.

MANDATORY GENERIC SUBSTITUTION

All scripts for which there is a class A generic available will have the prescription filled with the generic substitute. The member may request that the script is filled with the name brand drug but the member will bear the cost difference between the name brand and generic drugs in addition to the coinsurance. If the member's physician finds that the name brand drug is medically necessary for reasons of allergic reactions or efficacy, the name brand drug will be provided and the member will be held responsible only for the coinsurance. The physician must indicate the reason for the use of the name brand on the script in order for the member to avoid additional costs.

OPTIONS FOR OBTAINING MAINTENANCE DRUGS

Effective April 1, 2002, drugs identified by the Pharmacy Benefit Manager as maintenance drugs may be obtained either through the mail order vendor or from a participating retail pharmacy.

LIMITS TO THE BENEFITS

The benefits under this section apply only when an eligible member incurs a charge for covered prescription drugs. The coverage is limited to:

- (1) Refills up to the number of times specified by the Physician.
- (2) Refills up to one year from the date of order by a Physician. If the substance provided is a controlled substance the refill period will be limited to 6 months.

EXPENSES NOT COVERED

- (1) Charges associated with excluded coverages under the Medical Plan.
- (2) Drugs that can be purchased without a written prescription.
- (3) Any medical devices or supplies.
- (4) Any drug that is experimental, investigation or is currently under going clinical trials for the prescribed use.
- (5) Any drug or portion of the cost of any drug covered by Medicare.
- (6) Any drug consumed or administered, either in whole or in part, at the location where it is provided.

- (7) Any drug that is normally provided without cost under a state, Federal, local or charitable program.
- (8) Any drug associated with smoking prevention or cessation.
- (9) Any charge for fertility drugs.
- (10) Any charge for contraceptives or contraceptive devices.
- (11) Any drug for uses associated with male or female sexual dysfunction, is limited to a maximum of six doses per month.
- (12) Any drug where the prescribed dosage exceeds the manufacturer's suggested dose.
- (13) Any drug that is subject to prior approval by the Pharmacy Benefit Manager without such prior authorization.
- (14) Charges for Allergens or the administration of allergens.
- (15) The administration of any drug or substance.
- (16) The charge for any drug covered under Worker's Compensation benefits.
- (17) Therapeutic devices or appliances.
- (18) Drugs designed for hair growth or cosmetic purposes.

DENTAL BENEFITS

DENTAL BENEFITS

This benefit applies when covered dental charges are incurred by a person while covered under this Plan.

Effective January 1, 2002, Delta Dental will be the Dental Plan Administrator for the Board. Delta Dental maintains a list of participating providers of dental services. The benefits are the same both in Delta's network and at non-participating dentists. Participating dentists bill at a prenegotiated fee and guarantee no balance billing other than plan deductibles and coinsurance.

Calendar Year deductible, per person \$50

The deductible applies to these Classes of Service:

Class A Services - Preventive

Class B Services - Basic

Class C Services - Major

Dental Percentage Payable (Effective January 1, 2003)

Class A Services-Preventive 100% by plan

Class B Services-Basic 80% by plan

Class C Services-Major 0% first year,

50% year two and all subsequent years.

NOTE: No benefits are payable for Class C services in the first calendar year of coverage under this plan.

Maximum Benefit Amount
Per person per Calendar Year \$1,000

DEDUCTIBLE
Deductible Amount. This is an amount of dental charges for which no benefits will be paid. Before benefits can be paid in a Calendar Year, a Covered Person must meet the deductible shown in the Schedule of Benefits.

BENEFIT PAYMENT

Each Calendar Year benefits will be paid to a Covered Person for the dental charges in excess of the deductible. Payment will be made at the rate shown under Dental Percentage Payable in the Schedule of Benefits. No benefits will be paid in excess of the Maximum Benefit Amount.

MAXIMUM BENEFIT AMOUNT

The Maximum Dental Benefit Amount is shown in the Schedule of Benefits.

DENTAL CHARGES

Dental charges are the Usual and Reasonable Charges made by a Dentist or other Physician for necessary care, appliances or other dental material listed as a covered dental service.

A dental charge is incurred on the date the service or supply for which it is made is performed or furnished. However, there are times when one overall charge is made for all or part of a course of treatment. In this case, the Claims Processor will apportion that overall charge to each of the separate visits or treatments. The pro rata charge will be considered to be incurred as each visit or treatment is completed.

COVERED DENTAL SERVICES

Class A Services: Preventive and Diagnostic Dental Procedures

- (1) Routine oral exams. This includes the cleaning and scaling of teeth. Limit of two exams every Calendar Year per Covered Person.
- (2) Two bitewing x-ray series every Calendar Year.
- (3) One full mouth x-ray every three Calendar Years.
- (4) Emergency palliative treatment for pain.

Class C Services: Major Dental Procedures

- (1) Gold restorations, including inlays, onlays and foil fillings. The cost of gold restorations in excess of the cost for amalgam, synthetic porcelain or plastic materials will be included only when the teeth must be restored with gold.
 - (2) Installation of crowns.
 - (3) Installing precision attachments for removable dentures.
- (4) Installing partial, full or removable dentures to replace one or more natural teeth that were extracted while the person was covered for this benefit. This service also includes all adjustments made during a six-month period following the installation.
- (5) Addition of clasp or rest to existing partial removable dentures.
- (6) Initial installation of fixed bridgework to replace one or more natural teeth which were extracted while the person was covered for these benefits.
 - (7) Repair or recementing of crowns, bridgework and removable dentures.
 - (8) Rebasing or relining of removable dentures.
 - (9) Replacing an existing removable partial or full denture or fixed bridgework; adding teeth to an existing removable partial denture; or adding teeth to existing bridgework to replace newly extracted natural teeth. However, this item will apply only if one of these tests is met:

Class B Services: Basic Dental Procedures

- (1) Oral surgery. Oral surgery is limited to removal of teeth, preparation of the mouth for dentures and removal of tooth-generated cysts of less than 1/4 inch.
- (2) Periodontics (gum treatments).
- (3) Endodontics (root canals).
- (4) Extractions. This service includes local anesthesia and routine post-operative care.
- (5) Fillings, other than gold.
- (6) General anesthetics, upon demonstration of Medical Necessity.
- (7) Antibiotic drugs.

- (a) The replacement or addition of teeth is required because of one or more natural teeth being extracted after the person is covered under these benefits.
- (b) The existing denture or bridgework was installed at least five years prior to its replacement and cannot currently be made serviceable.
- (c) The existing denture is of an immediate temporary nature. Further, replacement by permanent dentures is required and must take place within 12 months from the date the temporary denture was installed.

PREDETERMINATION OF BENEFITS

Before starting a dental treatment for which the charge is expected to be \$250 or more, a predetermination of benefits form should be submitted.

A regular dental claim form is used for the predetermination of benefits. The Covered Person fills out the Employee section of the form and then gives the form to the Dentist.

The Dentist must itemize all recommended services and costs and attach all supporting x-rays to the form. The Dentist should send the form to the Claims Processor.

Dental services provided prior to January 1, 2002:

Teachers' Retirement Board Dept.
Stirling & Stirling, Inc.
20 Armory Lane
Milford, Connecticut 06460-3361
(800) 447-6689

After January 1, 2002, Dental services will be provided by Delta Dental Plans of New Jersey at this address:

Delta Dental Plans of New Jersey
1639 Route 10 (P.O. Box 222)
Parsippany, NJ 07054-0222
(800) 452-9310

The Claims Processor will notify the Dentist of the benefits payable under the Plan. The Covered Person and the Dentist can then decide on the course of treatment, knowing in advance how much the Plan will pay.

If a description of the procedures to be performed, x-rays and an estimate of the Dentist's fees are not submitted in advance, the Plan reserves the right to make a determination of benefits payable taking into account alternative procedures, services or courses of treatment, based on accepted standards of dental practice. If verification of necessity of dental services cannot reasonably be made, the benefits may be for a lesser amount than would otherwise have been payable.

ALTERNATE TREATMENT

Many dental conditions can be treated in more than one way. This Plan has an "alternate treatment" clause which governs the amount of benefits the Plan will pay for treatments covered under the Plan. If a patient chooses a more expensive treatment than is needed to correct a dental problem according to accepted standards of dental practice, the benefit payment will be based on the cost of the treatment that provides professionally satisfactory results at the most cost-effective level.

For example, if a regular amalgam filling is sufficient to restore a tooth to health, and the patient and the Dentist decide to use a gold filling, the Plan will base its reimbursement on the Usual and Reasonable Charge for an amalgam filling. The patient will pay the difference in cost.

EXCLUSIONS

A charge for the following is not covered:

- (1) Crowns. Crowns for teeth that are restorable by other means or for the purpose of Periodontal Splinting.
- (2) Excluded under Medical Services that are excluded under Medical Plan Exclusions.
- (3) Hygiene. Oral hygiene, plaque control programs or dietary instructions.
- (4) Implants. Implants, including any appliances and/or crowns and the surgical insertion or removal of implants.
- (5) No listing. Services which are not included in the list of covered dental services.
- (6) Orthodontia. Orthodontic treatment and orthognathic surgery.
- (7) Personalization. Personalization of dentures.
- (8) Replacement. Replacement of lost or stolen appliances.

- (9) Splinting. Crowns, fillings or appliances that are used to connect (splint) teeth, or change or alter the way teeth meet, including altering the vertical dimension, restoring the bite (occlusion) or are cosmetic.
- (10) TMJ. All diagnostic and treatment services related to the treatment of jaw joint problems, including temporomandibular joint (TMJ) syndrome.

- (11) Flouride treatment.

VISION CARE BENEFITS

Eye exam, per person, in a 12 month period..... \$50

Frame-type lenses, per pair, in a 24 month period:

Single vision	\$30
Bi-focal	\$40
Tri-focal	\$60
Lenticular	\$100

Frames, per pair, in a 24 month period \$40
Contact Lenses, per pair, in a 24 month period..... \$160

One pair of lenses and frames, allowed in a 24 month period.

Vision care benefits apply when vision care charges are incurred by a Covered Person for services that are recommended and approved by a Physician or Optometrist.

- BENEFIT PAYMENT**
Benefit payment for a Covered Person will be made as described in the Schedule of Benefits.
- (7) Training. Charges for vision training or subnormal vision aids.
- (8) Tinting or scratch resistant coating of lenses.

VISION CARE CHARGES

Vision care charges are the Usual and Reasonable Charges for the vision care services and supplies shown in the Schedule of Benefits. Benefits for these charges are payable up to the maximum benefit amounts shown in the Schedule of Benefits for each vision care service or supply.

LIMITS

No benefits will be payable for the following:

- (1) Before covered. Care, treatment or supplies for which a charge was incurred before a person was covered under this Plan.
- (2) Excluded. Charges excluded or limited by the Plan design as stated in this document.
- (3) Health plan. Any charges that are covered under a health plan that reimburses a greater amount than this Plan.
- (4) No prescription. Charges for lenses ordered without a prescription.
- (5) Orthoptics. Charges for orthoptics (eye muscle exercises).
- (6) Sunglasses. Charges for safety goggles or sunglasses, including prescription type.

HEARING CARE BENEFITS

Hearing Aids (includes fittings and adjustments)
Every 36 months.....\$500

Hearing care benefits apply when charges are incurred by a Covered Person for the purchase of a hearing aid and any related fittings and adjustments.

BENEFIT PAYMENT

Benefit payment for a Covered Person will be made as described in the Schedule of Benefits.

HEARING CARE CHARGES

Hearing care charges are the Usual and Reasonable Charges for the hearing care services shown in the Schedule of Benefits. Benefits for these charges are payable up to the maximum amounts shown in the Schedule of Benefits for each hearing care service or supply.

LIMITS

No benefits will be payable for the following:

- (1) Before covered. Care, treatment or supplies for which a charge was incurred before a person was covered under this Plan.
- (2) Excluded. Charges excluded or limited by the Plan design as stated in this document.

- (3) Health plan. Any charges that are covered under a health plan that reimburses a greater amount than this Plan.
- (4) Routine. Charges for routine hearing exams are not covered under this plan.
- (5) Batteries. Charges for hearing aid batteries are not eligible under this plan.

DEFINED TERMS

The following terms have special meanings and when used in this Plan will be capitalized.

Ambulatory Surgical Center is a licensed facility that is used mainly for performing outpatient surgery, has a staff of Physicians, has continuous Physician and nursing care by registered nurses (R.N.s) and does not provide for overnight stays.

Amounts approved are those amounts determined as usual and customary for covered services by the carrier or intermediary administering Part B of the Medicare program.

Calendar Year means January 1st through December 31st of the same year.

Cosmetic Surgery means medically unnecessary surgical procedures, usually, but not limited to, plastic surgery directed toward preserving beauty or correcting scars, burns or disfigurements.

Custodial Care is care (including room and board needed to provide that care) that is given principally for personal hygiene or for assistance in daily activities and

can, according to generally accepted medical standards, be performed by persons who have no medical training. Examples of Custodial Care are help in walking and getting out of bed; assistance in bathing, dressing, feeding; or supervision over medication which could normally be self-administered.

Eligible Member includes all of the following who are enrolled in Medicare Part A:

- (1) A retired member receiving retirement or disability benefits from the Connecticut Teachers' Retirement Board; or
- (2) A Spouse of a retired member or a surviving Spouse of a retired member. A surviving Spouse ceases to be an Eligible Member upon remarriage.

Experimental and/or Investigational means services, supplies, care and treatment which does not constitute accepted medical practice properly within the range of appropriate medical practice under the standards of the case and by the standards of a reasonably substantial, qualified, responsible, relevant segment of the medical community or government oversight agencies at the time services were rendered.

The Plan Administrator must make an independent evaluation of the experimental/nonexperimental standings of specific technologies. The Plan Administrator shall be guided by a reasonable interpretation of Plan provisions. The decisions shall be made in good faith and rendered following a detailed factual background investigation of the claim and the proposed treatment. The Plan Administrator will be

guided by the following principles:

- (1) The technology must be appropriate, in level of service and intensity, to the nature of the disease or condition being treated.
- (2) Public policy would support the procedure(s) as a valid and ethical course of treatment.
- (3) The technology is judged to be reasonably clinically effective according to reports in peer reviewed scientific literature, completed clinical study data and/or preponderant expert medical opinion.

If a technology does not meet the above criteria, in whole or in significant part, it will be deemed Experimental and/or Investigational. The decisions of the Plan Administrator will be final and binding on the Plan.

Drugs are considered Experimental if they are not commercially available for purchase and/or they are not approved by the Food and Drug Administration for general use.

Generic Drug means a Prescription Drug, which has the equivalency of the brand name drug with the same use and metabolic disintegration. This Plan will consider as a Generic Drug any Food and Drug Administration-approved generic pharmaceutical dispensed according to the professional standards of a licensed pharmacist and clearly designated by the pharmacist as being generic.

Home Health Care Agency is an agency that meets all of these tests: its main function is to provide Home Health Care Services and Supplies; it is federally certified as a Home Health Care Agency; and it is

licensed by the state in which it is located, if licensing is required.

Home Health Care Plan must meet these tests: it must be a formal written plan made by the patient's attending Physician which is reviewed at least every 30 days; it must state the diagnosis; it must certify that the home health care is in place of Hospital confinement; and it must specify the type and extent of home health care required for the treatment of the patient.

Home Health Care Services and Supplies include: part-time or intermittent nursing care by or under the supervision of a registered nurse (RN); part-time or intermittent home health aide services provided through a Home Health Care Agency (this does not include general housekeeping services); physical, occupational and speech therapy; medical supplies; and laboratory services by or on behalf of the Hospital.

Hospice Agency is an agency where its main function is to provide Hospice Care Services and Supplies and it is licensed by the state in which it is located, if licensing is required.

Hospice Care Plan is a plan of terminal patient care that is established and conducted by a Hospice Agency and supervised by a Physician.

Hospice Care Services and Supplies are those provided through a Hospice Agency and under a Hospice Care Plan and include inpatient care in a Hospice Unit or other licensed facility, home care, and family counseling during the bereavement period.

Hospice Unit is a facility or separate Hospital Unit that provides treatment under a Hospice Care Plan and admits at least two unrelated persons who are expected to die within six months.

Hospital is an institution which is engaged primarily in providing medical care and treatment of sick and injured persons on an inpatient basis at the patient's expense and which fully meets these tests: it is accredited as a Hospital by the Joint Commission on Accreditation of Healthcare Organizations; it is approved by Medicare as a Hospital; it maintains diagnostic and therapeutic facilities on the premises for surgical and medical diagnosis and treatment of sick and injured persons by or under the supervision of a staff of Physicians; it continuously provides on the premises 24-hour-a-day nursing services by or under the supervision of registered nurses (RNs); and it is operated continuously with organized facilities for operative surgery on the premises.

The definition of "Hospital" shall be expanded to include the following:

A facility operating legally as a psychiatric Hospital or residential treatment facility for mental health and licensed as such by the state in which the facility operates.

Injury means an accidental physical Injury to the body caused by unexpected external means.

Intensive Care Unit is defined as a separate, clearly designated service area which is maintained within a Hospital solely for the care and treatment of patients who are critically ill. This also includes what is referred to as a "coronary care unit" or an "acute care unit." It has facilities for special nursing care not available in regular rooms and wards of the Hospital; special life saving equipment which is immediately available at all times; at least two beds for the accommodation of the critically ill; and at least one registered nurse (RN) in continuous and constant attendance 24 hours a day.

Lifetime is a word that appears in this Plan in reference to benefit maximums and limitations. Lifetime is understood to mean while covered under this Plan. Under no circumstances does Lifetime mean during the lifetime of the Eligible Member.

Medical Care Facility means a Hospital, a facility that treats one or more specific ailments or any type of Skilled Nursing Facility.

Medical Emergency means a sudden onset of a condition with acute symptoms requiring immediate medical care and includes such conditions as heart attacks, cardiovascular accidents, poisonings, loss of consciousness or respiration, convulsions or other such acute medical conditions.

In addition, Medical Emergency includes a mental health or chemical dependency condition when the lack of medical treatment could reasonably be expected to result in the patient harming himself or herself and/or other persons.

Medically Necessary care and treatment is recommended or approved by a Physician; is consistent with the patient's condition or accepted standards of good medical practice; is medically proven to be effective treatment of the condition; is not performed mainly for the convenience of the patient or provider; is not conducted for research purposes; and is the most appropriate level of services which can be safely provided to the patient.

Medicare is the Health Insurance For The Aged and Disabled program under Title XVIII of the Social Security Act, as amended.

Mental Disorder means any disease or condition that is classified as a Mental Disorder in the current edition of International Classification of Diseases, published by the U.S. Department of Health and Human Services or is listed in the current edition of Diagnostic and Statistical Manual of Mental Disorders, published by the American Psychiatric Association.

Morbid Obesity is a diagnosed condition in which the body weight exceeds the medically recommended weight by either 100 pounds or is twice the medically recommended weight in the most recent Metropolitan Life Insurance Co. tables for a person of the same height, age and mobility as the Eligible Member.

No-Fault Auto Insurance is the basic reparations provision of a law providing for payments without determining fault in connection with automobile accidents.

Outpatient Care is treatment including services, supplies and medicines provided and used at a Hospital under the direction of a Physician to a person not admitted as a registered bed patient; or services rendered in a Physician's office, laboratory or X-ray facility, an Ambulatory Surgical Center, or the patient's home.

Pharmacy means a licensed establishment where covered Prescription Drugs are filled and dispensed by a pharmacist licensed under the laws of the state where he or she practices.

Physician means a Doctor of Medicine (MD), Doctor of Osteopathy (DO), Doctor of Dental Surgery (DDS), Doctor of Podiatry (DPM), Doctor of Chiropractic (DC), Psychologist (PhD), Licensed Professional Physical Therapist, Physiotherapist, Licensed Professional Counselor, Psychiatrist, Audiologist, Speech Language Pathologist, Midwife and any other practitioner of the healing arts who is licensed and regulated by a state or federal agency and is acting within the scope of his or her license.

Plan Year is the 12-month period beginning on either the effective date of the Plan or on the day following the end of the first Plan Year, which is a short Plan Year.

Prescription Drug means any of the following: a drug or medicine which, under federal law, is required to bear the legend: "Caution: federal law prohibits dispensing without prescription"; injectable insulin; hypodermic needles or syringes, but only when dispensed upon a written prescription.

Prior Approval - Certain services and drugs paid for under this plan are subject to prior approval requirements. If prior approval is not obtained prior to the admission or provision of the service and or supply or drug then no benefit is payable. In the case of life threatening emergency admissions, approval may be granted up to two days after the admission or provision of service, supplies or drugs and notice will be considered timely.

Sickness is a person's illness.

Skilled Nursing Facility is a facility that fully meets all of these tests:

- (1) It is licensed to provide professional nursing services on an inpatient basis to persons convalescing from Injury or Sickness. The service must be rendered by a registered nurse (RN) or by a licensed practical nurse (LPN) under the direction of a registered nurse. Services to help restore patients to self-care in essential daily living activities must be provided.
- (2) Its services are provided for compensation and under the full-time supervision of a Physician.
- (3) It provides 24 hour per day nursing services by licensed nurses, under the direction of a full-time registered nurse.
- (4) It maintains a complete medical record on each patient.

- (5) It has an effective utilization review plan.
- (6) It is not, other than incidentally, a place for rest, the aged, drug addicts, alcoholics, mental retardates, Custodial or educational care or care of Mental Disorders.
- (7) It is approved and licensed by Medicare.
- (8) Prior approval for the services has been provided by Stirling & Stirling.

This term also applies to charges incurred in a facility referring to itself as an extended care facility, convalescent nursing home or any other similar nomenclature.

Spinal Manipulation/Chiropractic Care means skeletal adjustments, manipulation or other treatment in connection with the detection and correction by manual or mechanical means of structural imbalance or subluxation in the human body. Such treatment is done by a Physician to remove nerve interference resulting from, or related to, distortion, misalignment or subluxation of, or in, the vertebral column.

Temporomandibular Joint (TMJ) syndrome is the treatment of jaw joint problems including conditions of structures linking the jaw bone and skull and the complex of muscles, nerves and other tissues related to the temporomandibular joint. Care and treatment shall include, but are not limited to orthodontics, crowns, inlays, physical therapy and any appliance that is attached to or rests on the teeth.

Usual and Reasonable Charge is an amount determined as usual and customary for covered services by the carrier or intermediary administering Part B of the Medicare program.

PLAN EXCLUSIONS

Note: All exclusions related to Prescription Drugs are shown in the Prescription Drug Plan.

For all Medical Benefits shown in the Schedule of Benefits, a charge for the following is not covered:

- (1) Care, treatment or supplies for which a charge was incurred before a person was Covered under this Plan.
- (2) Charges excluded by the Plan design as mentioned in this document.
- (3) Charges incurred for which the Plan has no legal obligation to pay.
- (4) Care and treatment of an Injury or Sickness that is occupational – that is, arises from work for wage or profit including self-employment.
- (5) Care, treatment, services or supplies not recommended and approved by a Physician; or treatment, services or supplies when the Eligible Member is not under the regular care of a Physician. Regular care means ongoing medical supervision or treatment, which is appropriate care for the Injury or Sickness.

- (6) Care and treatment for which there would not have been a charge if no coverage had been in force.
- (7) Care, treatment or supplies furnished by a program or agency funded by any government. This does not apply to Medicaid or when otherwise prohibited by law.
- (8) Care and treatment that is either Experimental/Investigational or not Medically Necessary.
- (9) The part of an expense for care and treatment of an Injury or Sickness that is in excess of the Usual and Reasonable Charge.
- (10) Charges for services received as a result of Injury or Sickness caused by or contributed to by engaging in an illegal act or occupation; by committing or attempting to commit any crime, criminal act, assault or other felonious behavior; or by participating in a riot or public disturbance.
- (11) Any loss that is due to a declared or undeclared act of war.
- (12) Any loss due to an intentionally self-inflicted Injury, while sane or insane.
- (13) All diagnostic and treatment services related to the treatment of jaw joint problems including temporomandibular joint (TMJ) syndrome.

- (14) Professional services performed by a person who ordinarily resides in the Member's home or is related to the Member as a spouse, parent, child, siblings, whether the relationship is by blood or exists in law.
- (15) Care and treatment provided for cosmetic reasons. This exclusion will not apply if the care and treatment is for repair of damage from an accident that occurred while the person was covered under the Plan.

Reconstructive mammoplasty will be covered after Medically Necessary surgery, providing the reconstruction is performed within five years of the mastectomy and providing the Eligible Member was covered under the Plan at the time of the mastectomy.

- (16) Radial keratotomy or other eye surgery to correct near-sightedness. Also, lenses for the eyes and exams for their fitting. This exclusion does not apply to aphakic patients and soft lenses or sclera shells intended for use as corneal bandages.

- (17) Hearing aids and exams for their fitting. Coverage provided under the optional Hearing benefits are considered eligible when incurred while covered under the optional benefits.

- (18) Charges for routine or periodic examinations, screening examinations, evaluation procedures, preventive medical care, or treatment or services not directly related to

the diagnosis or treatment of a specific Injury, Sickness or pregnancy-related condition which is known or reasonably suspected.

- (19) Services or supplies provided mainly as a rest cure, maintenance or Custodial Care.
- (20) The following care, treatment or supplies for the feet: orthopedic shoes; orthopedic prescription devices to be attached to or placed in shoes; treatment of weak, strained, flat, unstable or unbalanced feet, metatarsalgia or bunions, except open cutting operations; and treatment of corns, calluses or toenails, unless needed in treatment of a metabolic or peripheral-vascular disease.
- (21) Replacement of braces of the leg, arm, back, neck, or artificial arms or legs, unless there is sufficient change in the Eligible Member's physical condition to make the original device no longer functional.
- (22) Services for educational or vocational testing or training.
- (23) Professional services billed by a Physician or nurse who is an employee of a Hospital or Skilled Nursing Facility and paid by the Hospital or facility for the service.
- (24) Personal comfort items or other equipment, such as, but not limited to, air conditioners, air-purification units, humidifiers, allergy-free pillows, blanket or mattress covers, electric heating units, swimming pools, orthopedic

- mattresses, exercising equipment, vibratory equipment, elevators or stair lifts, blood pressure instruments, stethoscopes, clinical thermometers, scales, elastic bandages or stockings, nonprescription drugs and medicines, and first-aid supplies and nonhospital adjustable beds.
- (25) Care and treatment of obesity, weight loss or dietary control whether or not it is, in any case, a part of the treatment plan for another Sickness. Medically Necessary charges for Morbid Obesity will be covered.
- (26) Care, services or treatment for transsexualism, gender dysphoria or sexual reassignment or change, including medications, implants, hormone therapy, surgery, medical or psychiatric treatment.
- (27) Care and treatment for hair loss including wigs, hair transplants or any drug that promises hair growth, whether or not prescribed by a Physician.
- (28) Care and treatment for smoking cessation programs, including smoking deterrent patches, unless Medically Necessary due to a severe active lung illness such as emphysema or asthma.
- (29) Care and treatment for sleep disorders unless deemed Medically Necessary.

- (30) Exercise programs for treatment of any condition.
- (31) Care and treatment of an Injury or Sickness that results from engaging in a Hazardous Hobby. A hobby is hazardous if it is an unusual activity, which is characterized by a constant threat of danger or risk of bodily harm. Examples of hazardous hobbies are skydiving, auto racing, hang gliding, jet ski operating or bungee jumping.
- (32) Care and treatment billed by a Hospital for non-Medical Emergency admissions on a Friday or a Saturday. This does not apply if surgery is performed within 24 hours of admission.
- (33) Care, services or treatment required as a result of complications from a treatment not covered under the Plan.
- (34) Charges for travel or accommodations, whether or not recommended by a Physician, except for ambulance charges as defined as a covered expense.
- (35) Care or treatment for Injury or Sickness resulting from the voluntary taking of or while under the influence of any controlled substance, drug, hallucinogen or narcotic not administered on the advice of a Physician.

HOW TO FILE A CLAIM

(36) Services, supplies, care or treatment of an Injury or Sickness which occurred as a result of an Eligible Member's negligent or illegal use of alcohol.

(37) Under Basic Benefits, all claims must be submitted to Medicare first. If a charge is ineligible or denied by Medicare, it will not be covered under this Plan.

(38) Care, service, supplies or drugs for which prior approval was required but was not obtained.

Since all of your Hospital and medical claims must be submitted to Medicare first, it is important that you give your Medicare number to the provider.

Dental, vision and hearing claims are filed directly with Stirling & Stirling.

Effective January 1, 2002, Dental claims will be filed with Delta Dental.

Hospitals, Skilled Nursing Facilities, Home Health agencies and Hospices are called providers, and they submit their claims directly to Medicare. When you show the provider your Stirling & Stirling identification card, the provider will bill us for any balance not covered by Medicare. It is possible that some providers may ask you to send us the bill for any balance. They will give you a notice of utilization, which explains the decision Medicare made on the claim.

Physicians, suppliers and other providers of medical services are in most cases required to submit Medicare claims for you. In most cases the Medicare intermediary or carrier will send an explanation of your Medicare Part B benefits to Stirling & Stirling and your Plan will send you a check for the proper balance. If your Physician does not accept assignment, you may be billed for an additional amount.

In some cases, the Medicare carrier may send the explanation of Medicare benefits directly to you. If that happens, send a copy (be sure you keep a copy, too) to Stirling & Stirling and we will process your claim.

Some expenses are not eligible for Medicare but may be covered under the Major Medical part of your Plan.

Time Limit For Filing Claims. Claims must be submitted to Stirling & Stirling no later than 3 months after Medicare's time limit. For example: Claims that occurred from 10/1/01 through 9/30/02 must be submitted to Medicare by 12/31/02 and received by Stirling & Stirling no later than 3/31/03.

COORDINATION OF BENEFITS

Coordination of benefits sets out rules for the order of payment of Covered Charges when two or more plans - including Medicare - are paying. This Plan always pays secondary to Medicare.

Coverage provided through active employment pays first. Medicare pays primary for coverage as a retiree.

When a member is covered by more than one retirement plan the following rules apply:

If a retired teacher also has coverage through the spouse's retirement plan, this plan will pay secondary to Medicare and the spouse's retirement plan is tertiary.

If a spouse of a retired teacher is covered under this plan and is also covered through another

retirement plan, the other retirement plan is secondary to Medicare and this plan is tertiary.

Allowable Charge. For a charge to be allowable it must be a Usual and Reasonable Charge and it must be covered under this Plan.

Automobile Limitations. When medical payments are available under vehicle insurance, the Plan shall pay excess benefits only, without reimbursement for vehicle plan deductibles. This Plan shall always be considered the secondary carrier regardless of the individual's election under PIP (personal injury protection) coverage with the auto carrier.

Claims Determination Period. Benefits will be coordinated on a Calendar Year basis. This is called the claims determination period.

Right to Receive or Release Necessary Information. To make this provision work, this Plan may give or obtain needed information from another insurer or any other organization or person. This information may be given or obtained without the consent of or notice to any other person. An Eligible Member will give this Plan the information it asks for about other plans and their payment of allowable charges.

Facility of Payment. This Plan may repay other plans for benefits paid that the Plan Administrator determines it should have paid. That repayment will count as a valid payment under this Plan.

Right of Recovery. This Plan may pay benefits that should be paid by Medicare or another benefit plan. In this case this Plan may recover the amount paid from

Medicare, the other benefit plan or the Eligible Member. That repayment will count as a valid payment.

Further, this Plan may pay benefits that are later found to be greater than the allowable charge. In this case, this Plan may recover the amount of the overpayment from the source to which it was paid.

THIRD PARTY RECOVERY PROVISION

RIGHT OF SUBROGATION AND REFUND

When this provision applies. The Eligible Member may incur medical charges due to Injuries for which benefits are paid by the Plan. The Injuries may be caused by the act or omission of another person. If so, the Eligible Member may have a claim against that other person for payment of the medical charges. The Plan will be subrogated to all rights the Eligible Member may have against that other person.

The Eligible Member must:

- (1) assign to the Plan his or her rights to recovery when this provision applies; and
- (2) repay to the Plan out of the recovery made from the other person or the other person's insurer.

Amount subject to subrogation or refund. Only the amount recovered for medical charges will be subject to subrogation or refund. In no case will the amount subject to subrogation or refund exceed the amount of medical benefits paid for the Injury or Sickness under the Plan. When a right of recovery exists, the Eligible Member will

execute and deliver all required instruments and papers as well as doing whatever else is needed to secure the right of subrogation. In addition, the Eligible Member will do nothing else to prejudice the right of the Plan to subrogate.

Defined terms: "Recovery" means monies paid to the Eligible Member by way of judgment, settlement, or otherwise to compensate for all losses caused by the Injuries.

"Subrogation" means the Plan's right to pursue the Eligible Member's claims for medical charges against the other person.

"Refund" means repayment to the Plan for medical benefits that it has paid toward care and treatment of the Injury.

Recovery from another plan under which the Eligible Member is covered. This right of refund also applies when an Eligible Member recovers under an uninsured or underinsured motorist plan, homeowner's plan, renter's plan or any liability plan.

FUNDING THE PLAN AND PAYMENT OF BENEFITS

The cost of the Plan is funded as follows:

For Eligible Member Coverage: Funding is derived from the funds of Connecticut State Teachers' Retirement Board and the State of Connecticut Claims Administrator.

Benefits are paid directly from the Plan through the

GENERAL PLAN INFORMATION

TYPE OF ADMINISTRATION: The Plan is a self-funded Medicare Supplement Plan and the administration is provided through a third party Claims Administrator.

PLAN NAME: Connecticut State Teachers' Retirement Board Health Benefits Plan

PLAN EFFECTIVE DATE: July 1, 1994, as amended
January 1, 2003

PLAN YEAR ENDS: December 31

PLAN SPONSOR INFORMATION

Connecticut State Teachers' Retirement Board
21 Grand Street
Hartford, Connecticut 06106-1500

CLAIMS ADMINISTRATOR

Stirling & Stirling, Inc.
20 Armory Lane
Milford, Connecticut 06460-3361
(800) 447-6689

PRESCRIPTION DRUG SERVICES

Medco Health Solutions, Inc.
100 Parsons Pond Drive
Franklin Lakes, NJ 07417-2603
(800) 711-0917 www.medcohealth.com

DENTAL CLAIMS ADMINISTRATOR

Delta Dental Plan of New Jersey
1639 Route 10 (P.O. Box 222)
Parsippany, NJ 07054-0222
(800) 452-9310 www.deltadentalnj.com

Appendix C

Plan 3

Zip	Members	Zip	Dependents
00677	1	01001	1
00678	2	01002	1
00726	1	01020	1
01001	5	01028	2
01002	2	01030	1
01013	1	01034	1
01020	1	01040	2
01028	3	01069	1
01030	6	01073	1
01034	2	01074	1
01035	3	01075	1
01039	1	01085	2
01040	4	01089	3
01056	1	01095	3
01060	1	01106	8
01062	2	01108	1
01069	2	01109	1
01073	2	01118	1
01074	1	01223	1
01075	1	01230	1
01077	4	01253	1
01081	1	01257	3
01085	6	01258	1
01089	6	01259	1
01095	5	01331	1
01106	12	01420	1
01108	2	01467	1
01109	1	01468	1
01118	2	01473	1
01151	1	01570	1
01201	1	01583	1
01223	1	01590	1
01230	1	01675	1
01235	1	01749	1
01253	2	01863	1
01257	3	01913	1
01259	1	01930	2
01301	1	01938	1
01331	1	01965	1
01351	1	01985	1
01355	2	02043	1
01467	1	02050	1
01468	1	02051	1
01473	1	02090	1
01475	1	02109	1
01515	2	02370	1
01521	2	02482	1
01527	1	02536	1
01564	1	02537	1
01581	1	02539	1

01590	1	02540	2
01604	1	02553	1
01606	1	02559	1
01675	1	02563	1
01701	2	02568	1
01702	1	02631	6
01720	1	02633	3
01749	1	02635	3
01756	1	02638	3
01760	1	02641	2
01776	1	02642	4
01778	1	02643	2
01845	2	02645	3
01867	1	02648	1
01890	1	02649	2
01906	1	02651	3
01913	1	02655	2
01915	1	02659	1
01930	2	02662	1
01938	1	02663	1
01960	1	02664	3
01965	1	02668	1
01984	1	02670	1
02043	2	02673	1
02050	1	02675	7
02051	1	02726	1
02065	1	02748	1
02067	1	02780	1
02081	1	02808	3
02090	2	02809	1
02109	1	02813	11
02118	2	02825	3
02131	1	02832	1
02135	1	02840	1
02151	1	02842	1
02169	1	02852	2
02184	2	02879	5
02360	1	02882	3
02370	1	02883	1
02452	1	02885	1
02462	1	02891	17
02466	1	02892	2
02482	1	03033	1
02492	1	03036	1
02532	1	03051	1
02537	2	03052	1
02540	7	03055	2
02553	1	03060	1
02556	1	03062	1
02557	1	03216	1
02559	1	03226	1

02563	1	03229	1
02571	2	03230	1
02575	1	03240	1
02601	3	03244	1
02631	16	03245	1
02632	1	03246	2
02633	8	03257	5
02635	4	03264	1
02638	5	03266	1
02641	4	03280	1
02642	8	03281	1
02643	2	03446	1
02645	7	03452	2
02646	2	03455	1
02648	1	03462	1
02649	4	03464	1
02650	1	03470	1
02651	11	03580	1
02652	1	03581	1
02653	3	03583	1
02655	3	03602	1
02657	2	03607	1
02659	1	03753	1
02661	1	03755	1
02662	3	03782	3
02663	2	03784	1
02664	4	03810	1
02666	1	03811	1
02667	1	03814	1
02668	1	03818	1
02670	2	03820	1
02671	2	03842	1
02672	1	03848	1
02673	2	03850	1
02675	8	03853	1
02726	1	03890	1
02748	1	03894	1
02769	1	03896	1
02771	1	03909	1
02780	1	04014	1
02804	3	04029	3
02807	2	04032	1
02808	4	04043	2
02809	1	04046	1
02813	18	04051	1
02818	1	04074	3
02825	3	04079	1
02832	2	04083	1
02835	1	04084	2
02840	3	04090	1
02842	1	04101	1

02852	3	04105	1
02871	2	04210	1
02879	12	04268	1
02882	6	04276	1
02883	1	04281	1
02885	1	04347	1
02891	27	04348	1
02892	2	04412	1
02897	1	04429	1
02898	1	04463	1
02904	1	04538	1
02920	1	04572	1
03031	1	04578	1
03033	1	04616	1
03034	2	04624	1
03036	1	04631	1
03045	2	04634	1
03051	3	04860	1
03052	1	04901	1
03055	2	04915	1
03062	2	04945	1
03063	1	04952	1
03070	1	04970	2
03079	1	04976	1
03087	2	05001	1
03226	6	05030	1
03227	1	05039	1
03229	1	05059	2
03230	1	05072	1
03240	1	05142	1
03244	1	05143	1
03245	1	05149	1
03246	6	05154	1
03249	1	05156	1
03253	1	05161	1
03254	1	05201	1
03257	6	05340	1
03264	1	05342	1
03266	1	05345	1
03280	4	05363	1
03281	2	05401	1
03301	2	05403	2
03431	4	05446	1
03446	1	05452	1
03452	2	05477	1
03455	1	05486	1
03464	1	05641	1
03470	1	05655	1
03561	1	05656	1
03581	1	05658	1
03583	2	05672	1

03585	1	05673	1
03602	2	05701	1
03607	1	05733	1
03608	2	05734	1
03741	1	05738	1
03746	1	05761	1
03753	1	05764	1
03755	1	05773	1
03770	1	05829	1
03774	1	05866	1
03782	6	06001	28
03784	1	06002	22
03801	2	06010	69
03810	1	06011	2
03811	2	06013	3
03812	1	06016	5
03814	1	06019	6
03818	1	06022	4
03819	1	06023	1
03820	3	06026	3
03833	2	06027	3
03842	2	06029	10
03849	2	06031	3
03850	1	06032	28
03853	1	06033	38
03864	1	06035	10
03872	3	06037	25
03890	1	06039	1
03894	3	06040	25
03896	1	06043	4
03901	1	06051	3
03904	1	06052	4
03909	3	06053	19
04002	2	06057	7
04005	1	06058	1
04006	4	06062	9
04008	1	06063	4
04011	3	06065	1
04014	1	06066	21
04029	3	06067	12
04032	2	06068	2
04038	2	06069	2
04043	3	06070	14
04046	1	06071	10
04050	1	06073	4
04054	1	06074	12
04055	1	06076	5
04057	1	06077	2
04071	2	06078	7
04074	2	06082	33
04076	2	06084	12

04079	1	06085	3
04083	1	06088	4
04084	2	06089	5
04086	3	06092	5
04090	2	06093	8
04092	1	06094	1
04094	2	06095	24
04097	1	06096	10
04101	2	06098	11
04103	1	06106	2
04105	1	06107	21
04106	2	06108	3
04107	1	06109	29
04210	1	06110	8
04216	1	06111	44
04250	1	06117	24
04254	1	06118	18
04268	1	06119	6
04276	1	06131	1
04281	1	06226	6
04330	3	06232	2
04347	1	06234	10
04348	1	06237	8
04350	1	06238	6
04353	1	06239	8
04401	4	06241	3
04416	1	06242	1
04426	1	06243	1
04429	1	06247	1
04444	1	06248	2
04450	1	06249	11
04455	1	06250	4
04457	1	06254	1
04463	1	06255	5
04473	2	06258	1
04530	1	06260	8
04538	1	06264	1
04543	2	06266	1
04551	1	06267	1
04554	1	06268	6
04572	2	06277	3
04578	2	06278	2
04579	1	06279	2
04605	2	06280	3
04616	1	06281	8
04624	1	06320	12
04634	1	06330	1
04640	1	06333	5
04664	1	06335	7
04676	1	06339	6
04679	1	06340	13

04684	1	06351	10
04747	1	06354	7
04756	1	06355	12
04768	1	06357	25
04854	1	06359	6
04856	1	06360	25
04860	3	06365	2
04901	1	06370	1
04915	2	06371	17
04945	1	06374	2
04952	1	06375	6
04970	2	06378	7
04976	2	06379	11
04984	1	06382	3
05001	1	06385	18
05032	1	06388	1
05059	4	06401	7
05060	1	06403	1
05070	1	06405	41
05072	1	06410	41
05089	2	06412	5
05141	1	06413	27
05142	1	06414	1
05143	2	06415	10
05149	1	06416	12
05154	1	06417	4
05156	2	06418	10
05158	2	06419	4
05161	1	06420	1
05201	1	06422	10
05251	1	06423	2
05257	1	06424	16
05301	1	06426	8
05340	2	06430	45
05342	1	06432	10
05345	3	06436	1
05346	1	06437	26
05350	2	06438	2
05358	1	06441	5
05363	3	06442	3
05401	2	06443	34
05403	4	06444	1
05452	1	06447	8
05482	1	06450	24
05486	3	06451	10
05495	1	06455	3
05602	3	06456	1
05641	1	06457	32
05655	1	06460	34
05656	1	06467	1
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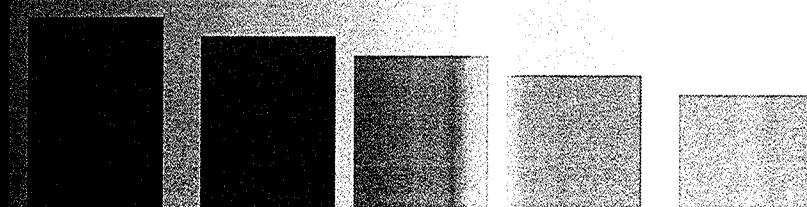
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Appendix D

Task 4



Systems Rx

a Medco business

Performance Overview

STRB

Timeperiod 1: 07/01/04 To 06/30/05

Report Completed: 7/11/2005

STRB

Performance Overview 07/01/04 To 06/30/05

	Total	Mail	Retail
	07/01/04 To 06/30/05	07/01/04 To 06/30/05	07/01/04 To 06/30/05
GROSS COST	\$23,843,824	\$10,181,801	\$13,662,023
Copay & Coinsurance	\$3,741,047	\$1,561,369	\$2,179,678
Deductible	\$2,552,370	\$1,004,001	\$1,558,370
COST SHARE	\$6,303,417	\$2,565,369	\$3,738,048
NET COST	\$11,540,407	\$7,616,432	\$9,923,975
Eligibles (Employees)	11,690	11,690	11,690
Utilizing Eligibles / Eligible	10,938	5,479	10,230
Members (Lives)	93.6%	46.9%	87.5%
Utilizing Members (Lives) - Patients	11,690	11,690	11,690
Utilizing Members / Members	93.7%	46.9%	87.6%
Net Cost Per Eligible	\$1,500	\$652	\$849
Net Cost PEPM (Trend)	\$125.04	\$54.29	\$70.74
Net Cost Per Utilizing Eligible	\$1,604	\$1,390	\$870
Net Cost Per Utilizing Eligible per Month	\$133.64	\$115.84	\$80.84
Net Cost Per Member	\$1,500	\$652	\$849
Net Cost PMPM	\$125.04	\$54.29	\$70.74
Net Cost Per Utilizing Members	\$1,602	\$1,386	\$870
Net Cost Per Utilizing Members per Month	\$133.49	\$115.69	\$80.79
Total RXs	302,294	75,126	227,168
Single Source Brand %	49.9%	55.6%	48.0%
Multi-Source Brand %	1.9%	1.6%	2.1%
Generic %	48.2%	42.8%	49.9%
Generic Substitution Rate	96.1%	96.4%	96.0%
Gross Cost / Rx	\$78.88	\$135.53	\$60.14
Copay & Coinsurance / Rx	\$12.38	\$20.78	\$9.60
Deductible / Rx	\$8.48	\$13.36	\$6.86
Cost Share / Rx	\$20.85	\$34.15	\$16.45
Net Cost / Rx	\$58.02	\$101.38	\$34.69
Rxs per Eligible (Employee)	25.9	6.4	19.4
Rxs per Utilizing Eligible	27.6	13.7	22.2
Rxs per Member (Life)	25.9	6.4	19.4
Rxs per Utilizing Member	27.6	13.7	22.2
DAYs:			
Total Days Supply	13,512,243	6,215,574	7,296,669
Days Supply / RX	44.7	82.7	32.1
Days per Eligible (Utilization)	1,155.9	531.7	624.2
Days per User	1,235.3	1,134.4	713.3
Gross Cost/Day	\$1,76	\$1,64	\$1,87
Net Cost/Day (Unit Cost)	\$1.30	\$1.23	\$1.36
Retail Equivalent RXs	383,304	166,136	227,168
Retail Equivalent RXs / Eligible	33.6	14.2	19.4
Net Cost / Retail Equivalent RX	\$44.60	\$45.84	\$43.68
COST DISTRIBUTION:			
Employer (Sponsor) Distribution	73.6%	74.8%	72.6%
Employee Cost Share Distribution	26.4%	25.20%	27.36%
Copay/Coinsurance	15.7%	15.33%	15.35%
Deductible	10.7%	9.86%	11.41%
Brand Formulary Compliance	87.6%	90.4%	86.5%
Maintenance RXs	239,797	70,245	169,552
Maintenance RX % (as % of Total RXs)	79.3%	93.5%	74.6%
RETAIL/MAIL SPLIT:			
Days %			
Gross Cost %		46.0%	54.0%
Re%		42.7%	57.3%
Maintenance RX % (as % of Tot Maint. RXs)		24.9%	75.1%
		29.3%	70.7%

Terminology:

Gross Cost
Plan Cost (Net)
Effective Discount

Eligibles (Employees)
Utilizing Eligibles (Employees)
ADS
Employer (Sponsor) Distribution
Employee Cost Share Distribution

Claim Type L_all - Period 2

Timeframe: 07/01/04 To 06/30/05

	Rx's	% Rx's	% of Tot Rx's	Days	ADS	Gross Cost	Copay	Deduct	Net Cost	Cost Share	Gross Cost per Rx	Copay/Rx per Rx	Net Cost per Rx
Retail - Acute													
Single Source Brand (Non-Formulary)	3,062	5.3%	1.0%	52,943	17.3	\$217,953	\$45,884	\$30,487	\$141,583	35.0%	\$71.18	\$14.98	\$46.24
Single Source Brand (Formulary)	14,432	25.0%	4.8%	256,253	17.8	\$1,382,316	\$180,377	\$175,004	\$1,026,935	25.7%	\$95.18	\$12.50	\$71.16
Single Source Brand	17,494	30.4%	5.8%	309,196	17.7	\$1,600,269	\$226,260	\$205,491	\$1,168,518	27.0%	\$91.48	\$12.93	\$66.80
Multi-source Brand (Non-Formulary)	569	1.0%	0.2%	13,747	24.2	\$40,594	\$7,821	\$5,203	\$27,570	32.1%	\$71.34	\$13.75	\$48.45
Multi-source Brand (Formulary)	99	0.2%	0.0%	1,697	17.1	\$8,514	\$1,085	\$625	\$6,734	20.9%	\$86.00	\$10.96	\$68.02
Multi-source Brand	668	1.2%	0.2%	15,444	23.1	\$49,109	\$8,906	\$5,898	\$34,304	30.1%	\$73.52	\$13.33	\$51.35
Brand Total	18,182	31.5%	6.0%	324,640	17.9	\$1,649,378	\$235,166	\$211,389	\$1,202,822	27.1%	\$90.81	\$12.95	\$66.23
Generic	39,454	68.5%	13.1%	628,650	15.9	\$704,117	\$79,092	\$108,389	\$516,637	26.6%	\$17.85	\$2.00	\$13.09
Total	57,616	100.0%	19.1%	953,290	16.5	\$2,353,495	\$314,258	\$319,777	\$1,719,459	26.9%	\$40.85	\$5.45	\$29.84
Retail - Maintenance													
Single Source Brand (Non-Formulary)	10,566	6.2%	3.5%	369,765	35.0	\$1,178,004	\$244,454	\$105,479	\$831,071	29.5%	\$111.49	\$22.85	\$78.66
Single Source Brand (Formulary)	81,058	47.8%	26.8%	2,981,932	36.8	\$8,404,066	\$1,380,778	\$866,026	\$6,187,263	26.4%	\$103.66	\$16.66	\$76.33
Single Source Brand	91,624	54.0%	30.3%	3,351,697	36.6	\$9,582,071	\$1,592,232	\$971,505	\$7,018,334	26.8%	\$104.58	\$17.38	\$76.60
Multi-source Brand (Non-Formulary)	1,153	0.7%	0.4%	46,925	40.7	\$62,310	\$13,945	\$10,385	\$37,980	39.0%	\$54.04	\$12.09	\$32.94
Multi-source Brand (Formulary)	2,850	1.7%	0.9%	129,612	45.5	\$83,135	\$12,980	\$13,646	\$56,509	32.0%	\$29.17	\$4.55	\$19.82
Multi-source Brand	4,003	2.4%	1.3%	176,537	44.1	\$145,445	\$26,925	\$20,031	\$94,488	35.0%	\$36.33	\$6.73	\$33.60
Brand Total	95,627	56.4%	31.6%	3,528,234	36.9	\$9,727,516	\$1,619,157	\$995,536	\$7,112,822	26.9%	\$101.72	\$16.93	\$74.38
Generic	73,925	43.6%	24.5%	2,815,145	38.1	\$1,581,012	\$246,263	\$243,056	\$1,091,694	30.9%	\$21.39	\$3.33	\$14.77
Total	169,552	100.0%	56.1%	6,343,379	37.4	\$11,308,528	\$1,865,420	#####	\$8,204,516	27.4%	\$66.70	\$11.00	\$48.39
Retail - Total													
Single Source Brand (Non-Formulary)	13,628	6.0%	4.5%	422,708	31.0	\$1,395,958	\$287,338	\$135,966	\$724,198	30.3%	\$102.43	\$21.08	\$71.37
Single Source Brand (Formulary)	95,490	42.0%	31.6%	3,238,185	33.9	\$9,786,382	\$1,531,154	#####	\$7,185,852	26.3%	\$102.49	\$16.03	\$75.55
Single Source Brand	109,118	48.0%	36.1%	3,660,893	33.5	\$11,182,340	\$1,878,492	#####	\$8,185,852	26.8%	\$102.48	\$16.67	\$75.03
Multi-source Brand (Non-Formulary)	1,722	0.8%	0.6%	60,672	35.2	\$102,905	\$21,767	\$15,588	\$65,550	36.3%	\$59.76	\$12.64	\$38.07
Multi-source Brand (Formulary)	2,949	1.3%	1.0%	131,309	44.5	\$91,649	\$14,065	\$14,341	\$63,243	31.0%	\$31.08	\$4.77	\$21.45
Multi-source Brand	4,671	2.1%	1.5%	191,981	41.1	\$194,554	\$35,834	\$35,930	\$128,793	33.8%	\$41.65	\$7.67	\$27.57
Brand Total	113,759	50.1%	37.6%	3,852,374	33.9	\$11,376,893	\$1,854,644	#####	\$8,315,644	26.9%	\$99.98	\$16.30	\$73.08
Generic	113,379	49.9%	37.5%	3,443,795	30.4	\$2,285,130	\$325,354	\$351,445	\$1,608,331	29.6%	\$20.15	\$2.87	\$14.19
Total	227,168	100.0%	75.1%	7,296,669	32.1	\$13,662,023	\$2,119,678	#####	\$9,923,975	27.4%	\$60.14	\$9.60	\$43.69
Mail													
Single Source Brand (Non-Formulary)	3,502	4.7%	1.2%	272,246	77.7	\$704,871	\$151,451	\$61,469	\$491,951	30.2%	\$201.28	\$43.25	\$140.48
Single Source Brand (Formulary)	38,248	50.9%	12.7%	3,163,664	82.7	\$8,165,512	\$1,261,787	\$759,767	\$6,143,957	24.8%	\$213.49	\$32.99	\$160.63
Single Source Brand	41,750	55.6%	13.8%	3,435,910	82.3	\$8,870,383	\$1,413,238	\$821,236	\$6,635,909	25.2%	\$212.46	\$33.85	\$158.94
Multi-source Brand (Non-Formulary)	628	0.8%	0.2%	50,042	79.7	\$81,693	\$16,878	\$7,463	\$57,352	29.8%	\$130.08	\$26.88	\$91.32
Multi-source Brand (Formulary)	563	0.7%	0.2%	46,800	83.1	\$41,177	\$5,538	\$5,461	\$30,177	26.7%	\$73.14	\$9.84	\$23.60
Multi-source Brand	1,191	1.6%	0.4%	96,842	81.3	\$122,870	\$22,416	\$12,924	\$87,529	28.8%	\$103.17	\$18.82	\$73.49
Brand Total	42,941	57.2%	14.2%	3,532,752	82.3	\$8,993,252	\$1,435,654	\$834,160	\$6,723,438	25.2%	\$209.43	\$33.43	\$156.57
Generic	32,185	42.8%	10.6%	2,682,822	83.4	\$1,188,549	\$125,715	\$169,840	\$892,994	24.9%	\$36.93	\$3.91	\$27.75
Total	75,126	100.0%	24.9%	6,215,574	82.7	\$10,181,801	\$1,561,369	#####	\$7,616,432	25.2%	\$135.53	\$20.78	\$101.38
Total													
Single Source Brand (Non-Formulary)	17,130	5.7%	5.7%	694,954	40.6	\$2,100,829	\$438,789	\$197,434	\$1,464,605	30.3%	\$122.64	\$25.62	\$85.50
Single Source Brand (Formulary)	133,738	44.2%	44.2%	6,401,849	47.9	\$17,951,894	\$2,752,942	#####	\$13,358,155	25.6%	\$134.23	\$20.88	\$89.88
Single Source Brand	150,868	49.9%	49.9%	7,096,803	47.0	\$20,052,722	\$3,231,731	#####	\$14,822,760	26.1%	\$132.92	\$21.42	\$88.25
Multi-source Brand (Non-Formulary)	2,350	0.8%	0.8%	110,714	47.1	\$184,597	\$38,645	\$23,051	\$122,901	33.4%	\$78.55	\$16.44	\$52.30
Multi-source Brand (Formulary)	3,512	1.2%	1.2%	178,109	50.7	\$132,826	\$19,603	\$19,803	\$83,420	29.7%	\$37.32	\$5.58	\$26.60
Multi-source Brand	5,862	1.9%	1.9%	288,823	49.3	\$317,423	\$58,247	\$48,854	\$216,322	31.9%	\$54.15	\$9.94	\$36.90
Brand Total	156,730	51.8%	51.8%	7,395,626	47.1	\$20,370,146	\$3,289,978	#####	\$15,039,082	26.2%	\$129.97	\$20.99	\$85.96
Generic	145,564	48.2%	48.2%	6,128,617	42.1	\$3,473,679	\$451,069	\$582,241	\$2,501,325	28.0%	\$23.86	\$3.10	\$17.18
Total	302,294	100.0%	100.0%	13,512,243	44.7	\$23,843,824	\$3,741,047	#####	\$17,540,407	26.4%	\$78.88	\$12.38	\$58.02

STRB Therapeutic Chapter Overview

<u>Timeframe:</u>	<u>07/01/04 To 06/30/05</u>	<u>Members (Lives)*</u>	<u>11,690</u>	<u>Patients</u>	<u>Rxs</u>	<u>Generic Rate</u>	<u>Generic Sub Rate</u>	<u>Mail Rate</u>	<u>Days</u>	<u>Retail Equiv RXs</u>	<u>Net Cost</u>	<u>Patients per Member</u>	<u>Net Cost per RE** Rx</u>	<u>Net Cost PMPM</u>
1	ANTI-INFECTIVES	6,381	17,360	68.7%	99.8%	4.1%	225,898	7,530	\$528,559	55%	\$70.19	3.77		
2	ANTINEOPLASTIC & IMMUNOSUPPRESSANTS	424	2,067	58.0%	99.6%	26.6%	94,733	3,188	\$548,111	4%	\$173.58	3.91		
3	AUTONOMIC & CNS, NEUROLOGY & PSYCH	6,252	50,793	54.4%	98.0%	16.3%	1,789,153	59,638	\$3,152,159	53%	\$52.85	22.47		
4	CARDIOVASCULAR, HYPERTENSION & LIPIDS	8,559	116,012	51.3%	97.9%	32.1%	6,459,665	215,322	\$6,044,633	73%	\$28.07	43.09		
5	DERMATOLOGICALS/TOPICAL THERAPY	3,121	8,080	60.6%	96.3%	10.0%	146,503	4,883	\$304,689	27%	\$62.39	2.17		
6	EAR, NOSE & THROAT MEDICATIONS	836	1,683	73.7%	95.3%	10.6%	37,566	1,262	\$21,906	7%	\$17.49	0.16		
7	ENDOCRINE/DIABETES	4,074	28,152	55.6%	84.1%	25.6%	1,349,874	44,996	\$1,053,232	35%	\$23.41	7.51		
8	GASTROENTEROLOGY	3,573	16,655	42.6%	98.2%	23.7%	697,797	23,260	\$1,676,779	31%	\$72.09	11.95		
9	IMMUNOLOGY, VACCINES & BIOTECHNOLOGY	36	166	0.0%	NA	8.4%	3,822	127	\$157,536	0%	\$1,236.55	1.12		
10	MUSCULOSKELETAL & RHEUMATOLOGY	2,733	13,752	15.8%	100.0%	38.8%	785,868	26,196	\$1,313,762	23%	\$50.15	9.37		
11	OBSTETRIC & GYNECOLOGY	899	3,182	18.1%	89.6%	35.4%	182,534	6,084	\$109,919	8%	\$18.07	0.78		
12	OPHTHALMOLOGY	2,425	11,423	24.8%	93.9%	16.3%	360,279	12,009	\$508,195	21%	\$42.32	3.62		
13	RESPIRATORY, ALLERGY, COUGH & COLD	3,439	16,612	25.4%	99.1%	20.9%	601,473	20,049	\$1,169,425	28%	\$58.33	8.34		
14	UROLOGICALS	1,850	8,782	4.5%	94.5%	29.1%	397,885	13,263	\$724,151	16%	\$54.60	5.16		
15	VITAMINS, HEMATINICS & ELECTROLYTES	1,475	6,978	86.8%	94.7%	23.9%	358,525	11,951	\$83,421	13%	\$6.98	0.59		
16	DIAGNOSTICS & MISCELLANEOUS AGENTS	169	597	38.9%	87.9%	25.3%	20,668	689	\$143,930	1%	\$208.92	1.03		
Total		10,950	302,294	48.2%	96.1%	24.9%	13,512,243	450,408	\$17,540,407	#VALUE!	\$38.94	125.04		

* This may not be accurate for Non-DECS clients.

STR^b

Demographic Overview

Timeframe: 07/01/04 To 06/30/05

STRB
Top Drugs

Timeframe: 07/01/04 To 06/30/05

Brand Name	Gross Cost	Net Cost	% of Total	Mail RX	Days	Net Cost per RX	Net Cost per Rx	Rx's per Patient	Rxs per User	Therapeutic Category	Source
LIFITOR	\$1,985,472	\$1,365,312	7.8%	12,298	41%	\$75,777	\$111	\$54	2,722	4.5 LIPID/CHOLESTEROL LOWERING AGENTS	SINGLE SOURCE BRAND
ZOCOR	\$1,113,129	\$823,120	4.7%	4,981	48%	\$320,794	\$165	\$77	1,168	4.3 LIPID/CHOLESTEROL LOWERING AGENTS	SINGLE SOURCE BRAND
FOSAMAX	\$901,857	\$601,151	3.5%	6,907	41%	\$397,044	\$58	\$46	1,436	4.8 OSTEOPOROSIS THERAPY	SINGLE SOURCE BRAND
NEKSIUM	\$703,154	\$538,532	3.1%	3,088	35%	\$164,443	\$174	\$98	730	4.2 PROTON PUMP INHIBITORS	SINGLE SOURCE BRAND
PLAVIX	\$562,296	\$430,358	2.5%	2,925	28%	\$147,641	\$147	\$87	612	4.8 ANTIPLATELET DRUGS	SINGLE SOURCE BRAND
NORVASC	\$524,674	\$370,786	2.1%	5,733	31%	\$18,171	\$65	\$35	1,146	5.0 CALCIUM CHANNEL BLOCKERS/DIHYDROPYRIDINES	SINGLE SOURCE BRAND
PROTONIX	\$476,135	\$360,286	2.1%	2,774	28%	\$136,992	\$132	\$71	671	4.1 PROTON PUMP INHIBITORS	SINGLE SOURCE BRAND
CELEBREX	\$408,598	\$312,301	1.8%	1,706	30%	\$131,126	\$115	\$71	874	3.1 NSAIDS- SPECIFIC COX-II INHIBITORS	SINGLE SOURCE BRAND
ADVAIR DISKUS	\$318,370	\$250,170	1.4%	1,619	28%	\$67,980	\$155	\$110	432	3.7 MISCELLANEOUS PULMONARY AGENTS	SINGLE SOURCE BRAND
ARICEPT	\$313,661	\$243,289	1.4%	1,656	20%	\$69,692	\$147	\$105	292	5.7 MISCELLANEOUS NEUROLOGICAL THERAPY	SINGLE SOURCE BRAND
PREVACID	\$311,932	\$222,880	1.3%	1,597	17%	\$68,361	\$140	\$98	458	3.5 PROTON PUMP INHIBITORS	SINGLE SOURCE BRAND
TOPROL XL	\$318,116	\$215,127	1.2%	6,082	31%	\$40,304	\$35	\$19	1,233	4.9 BETA BLOCKERS	SINGLE SOURCE BRAND
ACTONEL	\$308,746	\$211,603	1.2%	2,672	32%	\$138,082	\$79	\$46	548	4.9 OSTEOPOROSIS THERAPY	SINGLE SOURCE BRAND
ZETIA	\$280,529	\$205,740	1.2%	2,202	38%	\$126,381	\$93	\$49	547	4.0 LIPID/CHOLESTEROL LOWERING AGENTS	SINGLE SOURCE BRAND
ZOLLOFT	\$259,556	\$195,188	1.1%	2,050	22%	\$93,560	\$95	\$64	394	5.3 SELECTIVE SEROTONIN REUPTAKE INHIBITORS	SINGLE SOURCE BRAND
ACTOS	\$250,532	\$195,857	1.1%	951	38%	\$53,866	\$206	\$109	196	4.9 NON-INSULIN HYPOGLYCEMIC AGENTS	SINGLE SOURCE BRAND
EVISTA	\$280,477	\$194,991	1.1%	1,690	50%	\$114,303	\$115	\$51	397	4.3 OSTEOPOROSIS THERAPY	SINGLE SOURCE BRAND
FLOMAX	\$261,800	\$184,001	1.0%	2,485	31%	\$134,820	\$74	\$41	579	4.3 BENIGN PROSTATIC HYPERPLASIA(BPH) THERAPY	SINGLE SOURCE BRAND
AMBien	\$247,707	\$183,164	1.0%	2,636	15%	\$96,453	\$70	\$57	734	3.6 HYPNOTIC AGENTS	SINGLE SOURCE BRAND
DETROL LA	\$232,765	\$175,109	1.0%	1,637	28%	\$79,207	\$107	\$66	374	4.4 ANTICHOLINERGICS & ANTI SPASMODICS	SINGLE SOURCE BRAND
OMEPRAZOLE	\$215,561	\$170,647	1.0%	1,799	33%	\$92,772	\$55	\$55	426	4.2 PROTON PUMP INHIBITORS	GENERIC
DIOVAN	\$226,291	\$160,939	0.9%	2,309	32%	\$131,352	\$70	\$37	479	4.8 ANGIOTENSIN II RECEPTOR BLOCKERS	SINGLE SOURCE BRAND
PRAVACHOL	\$227,941	\$149,525	0.9%	1,157	27%	\$62,868	\$129	\$71	277	4.2 LIPID/CHOLESTEROL LOWERING AGENTS	SINGLE SOURCE BRAND
AVANDIA	\$168,540	\$131,613	0.8%	882	28%	\$47,712	\$149	\$83	193	4.6 NON-INSULIN HYPOGLYCEMIC AGENTS	SINGLE SOURCE BRAND
ENBREL	\$134,076	\$125,827	0.7%	68	41%	\$3,257	\$1,850	\$1,159	12	5.7 MISCELLANEOUS RHEUMATOLOGICAL AGENTS	SINGLE SOURCE BRAND
All Other	\$12,831,907	\$9,512,93	54.2%	227,400	(4,094,958)	\$42	-\$70				
Total	\$23,843,824	\$17,540,407	100.0%	302,294		\$58	#DIV/0!				

RE = Retail Equivalent (Days / 30)

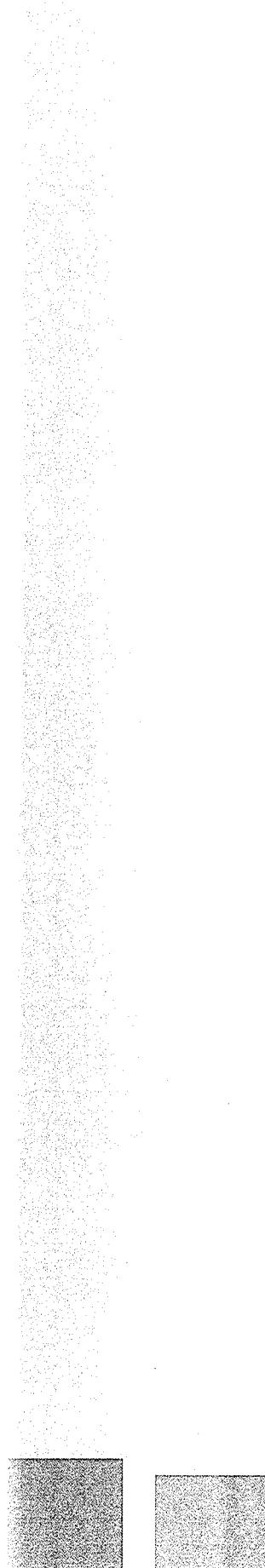
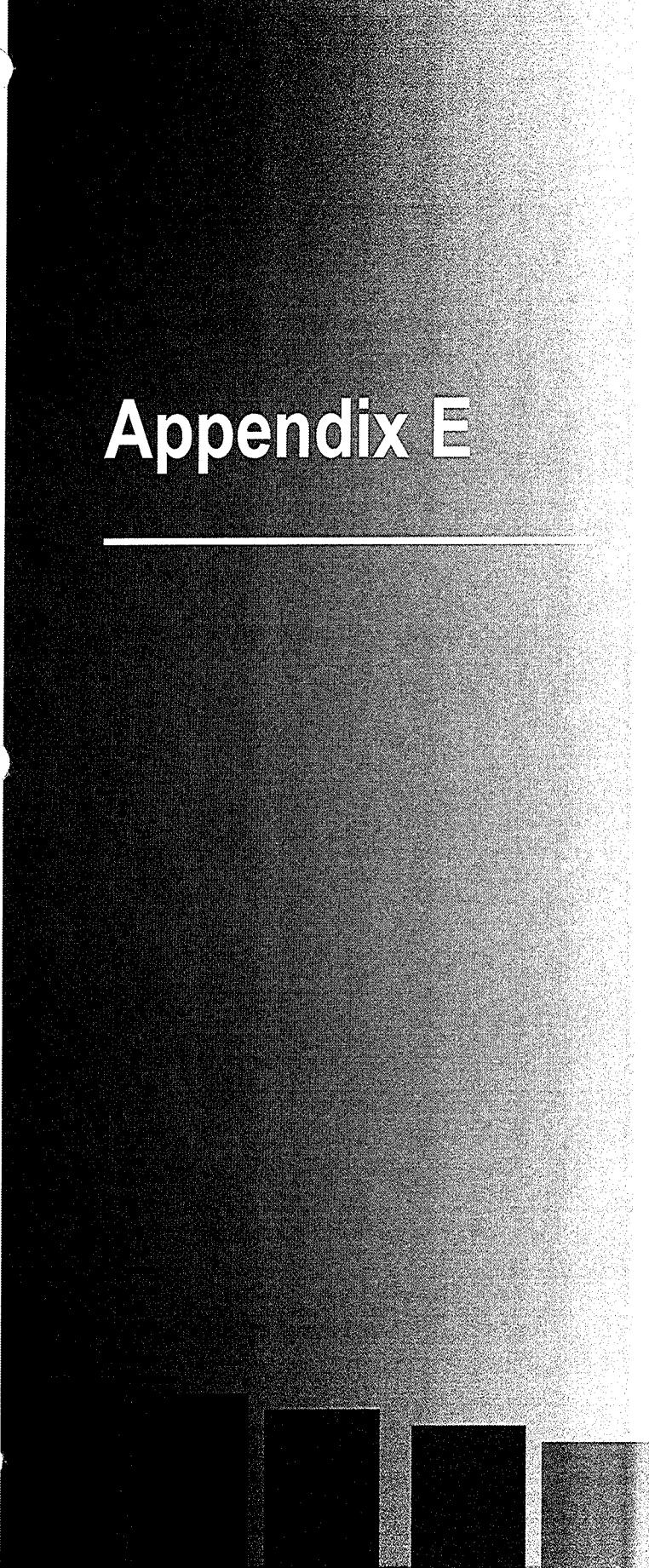
STRB

Top Patients

Timeframe: 07/01/04 To 06/30/05

Patient ID	Gross Cost	Net Cost	% of Total Net Cost	RXs	Rank	Prior Period Rank
169,991,728	\$56,823	\$55,823	0.3%		37 1	NA
161,178,213	\$32,760	\$31,760	0.2%		36 2	NA
161,504,777	\$31,721	\$30,971	0.2%		115 3	NA
207,747,042	\$25,825	\$24,825	0.1%		102 4	NA
205,953,992	\$25,683	\$24,566	0.1%		34 5	NA
224,286,703	\$25,380	\$24,396	0.1%		110 6	NA
207,785,648	\$24,110	\$23,110	0.1%		146 7	NA
161,267,050	\$23,165	\$21,768	0.1%		37 8	NA
161,340,887	\$22,462	\$21,462	0.1%		31 9	NA
161,309,776	\$21,086	\$20,086	0.1%		53 10	NA
33,702,582	\$20,470	\$19,470	0.1%		55 11	NA
160,971,322	\$19,408	\$18,339	0.1%		63 12	NA
170,833,565	\$19,113	\$17,956	0.1%		96 13	NA
161,094,922	\$18,281	\$17,281	0.1%		35 14	NA
31,230,156	\$18,220	\$17,190	0.1%		21 15	NA
161,193,124	\$18,313	\$17,180	0.1%		20 16	NA
161,176,760	\$17,921	\$16,921	0.1%		273 17	NA
161,176,634	\$17,706	\$16,706	0.1%		41 18	NA
102,273,670	\$18,004	\$16,659	0.1%		56 19	NA
206,653,037	\$17,593	\$16,593	0.1%		44 20	NA
216,100,142	\$17,491	\$16,491	0.1%		14 21	NA
205,045,178	\$17,388	\$16,388	0.1%		97 22	NA
161,504,266	\$17,096	\$16,372	0.1%		52 23	NA
161,177,469	\$17,338	\$16,338	0.1%		162 24	NA
161,192,828	\$17,119	\$16,119	0.1%		124 25	NA
All Other	\$23,283,347	\$17,005,637	97.0%	300,440		
Total	\$23,843,824	\$17,540,407	100.0%	302,294		

Appendix E



Managed Rx Coverage (MRxC) Program Overview

Purpose

Managed Rx Coverage (MRxC) helps ensure that the prescription benefit is covering intended therapies at appropriate costs, while minimizing the impact on members at the point of service. MRxC uses clinical logic that checks utilization against the member's past drug history, looking at both retail and mail-service transactions.

Process

A claim is rejected only when the drugs being dispensed exceed pre-determined limits. The MRxC program relies on clinically based dosing and/or duration recommendations to set appropriate drug thresholds or limits. Three types of limits can be set within the MRxC program:

- 1) **Dose-Duration:** These rules allow a specific dose of a drug for a specific period of time. For instance, for Zantac, a patient is allowed 300 mg per day for up to 90 days, after which the dose must be reduced to 150 mg per day or the claim will be rejected. This ensures that the dosage is appropriate to a maintenance usage rather than an acute episode usage.
- 2) **Quantity-Duration:** These rules allow a specific quantity of a drug to be dispensed within a specific period of time. For instance, for the flu-treatment drug Tamiflu 10 tablets are allowed within any 180-day period. After 180 days, the rule resets and 10 more tablets can be dispensed. This ensures that the drug is being used when a patient actually has the flue, and not as an expensive preventive measure.
- 3) **Qualification in history:** These rules cause a claim to reject if demographic parameters are not met or prior drug therapy does not support the use of the current prescription. For instance Lotronex, a new and expensive treatment for irritable bowel syndrome, is only approved by the FDA for women over the age of 18. Any claim submitted for a male or for a woman under 18 will be rejected. Similarly, a claim for Vioxx, an expensive pain reliever, will reject if there is no history of stomach problems (e.g. use of Zantac-like drugs) *and* the person is not 65 years old.

Coverage review is available for some categories to allow for member-specific circumstances where higher quantity, dose or duration may be found to be medically appropriate. Coverage review for managed drugs may be initiated for a member by asking the prescribing physician to call the MMMC prior authorization unit at **800-458-8001**, or the member may choose to simply pay out of pocket for the prescribed therapy.

If the claim is approved, the member can fill the prescription at the prescribed dose for up to one year without having to repeat the review process. If the claim is denied, letters will be sent to the member and the prescribing physician explaining why the claim was denied and providing the process to appeal the MMMC decision.

However, for some rules there is no coverage review process. This is because there are no medical circumstances where the established limits are appropriately exceeded. In these cases, the member has the choice of paying out of pocket, discussing alternative therapies with their physician or asking the pharmacist to reduce the quantity dispensed.

State Teachers Retirement Board MRxC Rules Description

The following MRxC rules have been implemented for your plan

Standard MRxC Therapeutic Categories	Drug Names and Rule Type	Comment
Pain Therapy Management Used as a treatment for generalized pain, also in conjunction with Imitrex-like drugs (see below) for migraine headaches	Quantity Duration Drug included: Stadol Nasal Spray® Coverage Review offered Yes	<ul style="list-style-type: none"> This medication can be addictive. <p>This medication <i>treats</i> headaches. Others are available that <i>prevent</i> headaches.</p> <p>Quantity limit may reduce misuse and abuse.</p>
Migraine Therapy Management Very effective but expensive and overused treatments for migraine headaches. The quantity allowed will treat 4 headaches per month at the FDA maximum recommended dose. Migraine therapies have the potential for psychological dependence.	Quantity Duration Drugs included: Migranol Nasal Spray® Amerge® Imitrex®- (all dosage forms) Maxalt® Zomig® Coverage Review offered Yes	<ul style="list-style-type: none"> These medications <i>treat</i> headaches. Others are available to <i>prevent</i> headaches. <p>People experiencing frequent headaches should be seen by a specialist.</p> <p>A one-time 5-day courtesy fill is available during the review process.</p>
Onychomycosis Therapy Management Onychomycosis is a fungal infection most commonly causing unsightly discoloration of the toenails.	Quantity Duration Drugs included: Lamisil® Sporanox® Diflucan® Coverage Review offered Yes	<ul style="list-style-type: none"> These limits prevent over-utilization of these expensive therapies. <p>These limits allow enough medication to effectively treat a fungal infection.</p>
Antiemetic Therapy Management In the outpatient setting, these agents are only approved for the prevention of the nausea and vomiting generally associated with radiation or chemotherapy for cancer.	Quantity Duration Drugs Included: Zofran® Kytril ® Anzemet® Coverage Review offered Yes	<ul style="list-style-type: none"> Quantity limits may limit overuse of the medications or use for unapproved indications.

Standard MRxC Therapeutic Categories	Drug Name and Rule Description	Comment
Rheumatoid Arthritis Therapy Management Rheumatoid arthritis is a severely debilitating disease. Older drugs slowed the disease progression or simply treated symptoms. Enbrel does not treat RA but prevents further joint destruction by interfering with the destructive enzyme.	Qualification in History Drug Included: Enbrel® Coverage Review offered Yes	<ul style="list-style-type: none"> • Enbrel is indicated for reducing signs and symptoms and delaying structural damage in patients with moderate to severe rheumatoid arthritis. <p>Enbrel is a first-line agent. However, other medications should be tried first due to the risk of infection associated with the use of Enbrel. Enbrel is a self-injected medication.</p>
Anti-Influenza Therapy Management These drugs reduce flu symptoms by 1-2 days but have no effect on the common cold.	Quantity Duration Drugs Included: Relenza® Tamiflu® Coverage Review offered Yes	<ul style="list-style-type: none"> • These medications are indicated to be used within 48 of noticing flu-like symptoms. They are not indicated for prevention. <p>Limits are established to prevent these medications from being used as a preventive treatment.</p>
Standard MRxC Therapeutic Categories	Drug Name and Rule Description	Comment
Irritable Bowel Therapy IBS is characterized by various severity of bowel symptoms from bloating to diarrhea. There are few effective therapeutic options.	Qualification in history Drug Included: Lotronex® Coverage Review Offered Yes	<ul style="list-style-type: none"> • Only indicated for women over the age of 18 Studies did not show equal efficacy in men and the drug was not tested in younger women

Managed Prior Authorization (MPA) Program Overview

Purpose

Managed Prior Authorization (MPA) helps ensure appropriateness of selected medications prior to dispensing. The first prescription is automatically stopped before dispensing. The appropriate use of drugs typically selected for MPA cannot be determined through the member pharmacy profile.

Process

When a claim is submitted for a drug requiring prior authorization it is rejected for payment pending review with the prescribing physician. The member or the dispensing pharmacist requests that the physician call the MMMC prior authorization unit at 800-458-8001 to provide information regarding diagnosis to an MMMC clinical pharmacist. (See table for additional access number for Retin-A and Avita) If the claim is approved, the member can fill the prescription at the prescribed dose for a clinically appropriate period of time without having to repeat the review process. If the claim is denied, a letter will be sent to the member and the prescribing physician explaining why the claim was denied and providing the process to appeal the MMMC decision.

State Teachers Retirement Board MRxC Rules Description

All MPA categories include coverage review criteria. The following MPA categories have been implemented for your plan.

Standard MPA Therapeutic Categories	Drug Name	Comments
Alzheimer's Therapy These are oral therapies that slow the progression of Alzheimer's symptoms	Drugs Included: Aricept® Cognex®	<ul style="list-style-type: none"> • These agents are typically reserved for treatment in patients in the early stages of the disease
Erythroid Stimulants Used primarily to treat certain types of anemia	Drugs Included: Epogen® Procrit®	<ul style="list-style-type: none"> • Limited quantities based on diagnosis
Human Growth Hormones For use in AIDS wasting and for children and adults whose bodies do not produce sufficient growth hormone.	Drugs Included: Geref® Genotropin® Humatropin® Norditropin® Nutropin® Saizen® Serostim® Protropin®	<ul style="list-style-type: none"> • Overuse for short stature, and anti-aging <p>Limited use based on efficacy for indicated conditions</p>

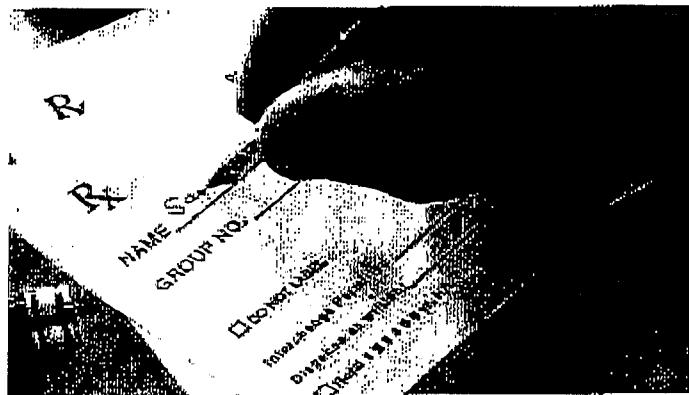
Standard MPA Therapeutic Categories	Drug Name	Comments
Interferons These drugs treat hepatitis or multiple sclerosis	Drugs Included: Alferon® Intron® Roferon® Infergen® Actimmune® Avonex® Betaseron® Rebetron®	<ul style="list-style-type: none"> Specific diagnosis is needed to determine appropriateness of therapy. Dose and duration and are important considerations.
Miscellaneous Dermatologicals These drugs are effective for treating severe cystic acne Call : 800-417-1915**	Drugs included: Accutane® Retin-A® Avita®	<ul style="list-style-type: none"> These should be reserved for severe cases. Serious side effects are possible with Accutane OTC products treat most cases of regular acne.
Miscellaneous Dermatologicals Used to treat lower extremity ulcers in people with diabetes	Drug included: Regranex® gel	<ul style="list-style-type: none"> Effectiveness should be monitored. Amount used is dependent on size of ulcer.
Miscellaneous Dermatologicals Used to treat skin manifestations of certain AIDS-related cancer	Drug included: Panretin® gel	<ul style="list-style-type: none"> Very expensive. Diagnosis should be verified.
Smoking Deterrents Used to help people withdraw from nicotine	Drugs Included: Nicotrol NS® Nicotrol Inhaler® Zyban®	<ul style="list-style-type: none"> Requires participation in a formal behavior modification program which significantly increases success rates.

For Retin A, and Avita, this number will expedite the review process.

Appendix F

Table 6
Comparison of the
estimated values
of the parameters
in the model
with the observed
values

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Preferred Prescriptions® Member Guide

Please bring this guide with you on your next doctor visit.

medco®

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If you have questions about your prescription drug benefit,
visit www.medco.com or call Member Services.



MG908054 MEIPG
(Ed. 5/05)

Medco manages your prescription drug benefit at the request of your health plan.

Preferred Prescriptions® is a formulary list of medications that may be covered under your prescription drug plan.¹ This list was reviewed by an independent group of practicing doctors and pharmacists, and it contains medications made by most pharmaceutical manufacturers. It includes medications for many covered conditions.

SAVING MONEY ON PRESCRIPTIONS

Your plan may prefer some medications over others. These are called *preferred drugs*, and their co-payment is lower.

You may pay:

- Lowest co-payment for generic drugs
- Higher co-payment for preferred brand-name drugs
- Highest co-payment for nonpreferred brand-name drugs

Your doctor may be able to help you save money by prescribing generic and preferred brand-name drugs if appropriate. So be sure to bring this guide with you on every visit to your doctor. Some commonly prescribed nonpreferred drugs are also listed in this guide for your reference.

Please note: This guide does not contain a complete list of preferred and nonpreferred drugs. It only lists the *most commonly prescribed drugs*. For an updated and complete listing of your prescription benefit, you can visit the "Benefit Highlights" section of our website—www.medco.com—and click on the View your preferred drug list link.

FINDING MEDICATIONS WITH LOWER CO-PAYMENTS

This guide lists medications two ways to help you find some generic, preferred, and nonpreferred brand-name drugs.

SECTION I - ALPHABETICALLY BY DRUG CATEGORY (SUCH AS RESPIRATORY)

Within each category, medications are listed in alphabetical order, with generic, preferred brand-name, and nonpreferred brand-name drugs sorted separately:

- G Means a preferred generic medication
P Means a preferred brand-name medication
NP Means a nonpreferred brand-name medication

SECTION II - ALPHABETICALLY BY BRAND NAME

After each nonpreferred brand-name drug, you will find possible generic and preferred brand-name alternatives.

SAFETY CONSIDERATION SYMBOLS

Here is a quick guide for you and your doctor, which explains our safety symbols. These symbols appear next to certain medications.

- ↓ Means that a dose lower than the manufacturer's guidelines is often recommended for people 65 and older.
- ▲ Means that use by people 65 and older is associated with increased risk; safer alternatives may be available. If used, the dosage should generally be lowered.
- █ Means weigh risk of birth defects or other adverse outcomes.
- ✗ Means do not use in pregnancy.

This information was in effect at the time of printing and may be subject to change.

¹ In some cases, your health plan may not cover certain medications listed in this member guide.

SECTION I: THERAPEUTIC DRUG CATEGORIES

ANTI-INFECTIVES (Antibiotics/Antifungals)

Oral Penicillins	NP Spectacef NP Suprax NP Vantin NP Velosef	Oral Antifungal Agents
G amoxicillin trihydrate G amoxicillin trihydrate/ potassium clavulanate G ampicillin trihydrate G dicloxacillin sodium G penicillin v potassium	G erythromycin base tablet, enteric coated G erythromycin ethylsuccinate/ sulfisoxazole acetyl P Augmentin Chewable Tablet 125 - 31.25mg, 250 - 62.5mg	G clotrimazole G fluconazole G griseofulvin ultramicrosize G ketoconazole G nystatin P Ancebon
P Augmentin Suspension 125 - 31.25mg/5, 250 - 62.5mg/5	P Biaxin P Biaxin XL	P Fungizone P Grifulvin V Suspension P Lamisil Tablet
P Augmentin Tablet 250-125mg Augmentin XR	NP EryPed NP PCE	P Nizoral P Sporanox P Vfend Tablet
NP Augmentin Chewable Tablet 200 - 28.5mg, 400 - 57mg		NP Diflucan NP Fulvicin P/G NP Fulvicin U/F
NP Augmentin ES NP Augmentin Suspension 200 - 28.5mg/5, 400 - 57mg/5	G ciprofloxacin HCl tablet G ofloxacin P Avelox	NP Grifulvin V Tablet NP Gris-Peg NP Mycostatin NP Mycelex Troche
NP Augmentin Tablet 500 - 125mg, 875 - 125mg	P Cipro Suspension P Cipro Tablet 100mg P Cipro XR	NP Vfend Suspension
NP Dispermox NP Geocillin	P Levaquin P Noroxin NP Clobac NP Cipro Tablet 250mg, 500mg, 750mg	Oral Miscellaneous Agents
Oral Tetracyclines	NP Factive NP Floxin NP Maxaquin NP Tequin NP Zagam	G clindamycin HCl G Neomycin sulfate P Dapsone P Ketek P Tobii Ampul for Nebulization
G doxycycline hyclate capsule G doxycycline hyclate tablet G doxycycline monohydrate G minocycline HCl G tetracycline HCl P Vibramycin Suspension	G erythromycin ethylsuccinate/ sulfisoxazole acetyl G sulfadiazine G sulfamethoxazole/ trimethoprim G sulfisoxazole NP Bactrim DS	P Zyvox NP Cleocin HCl
NP Adoxa NP Doryx NP Dynacin NP Minocin NP Monodox NP Periostat NP Vibramycin Syrup	NP Gantrisin NP Septra DS	Vaginal Antifungals
Oral Cephalosporins		G fluconazole tablet G miconazole nitrate vaginal suppository
G cefaclor G cefadroxil hydrate G cefpodoxime proxetil tablet G cefuroxime axetil tablet G cephalixin monohydrate G cephradine P Cefin Suspension P Cefin Tablet 125mg	G methenamine hippurate G methenamine mandelate G nitrofurantoin macrocrystal G nitrofurantoin/nitrofurantoin macrocrystal G phenazopyridine HCl G trimethoprim	P nystatin P Terazol Vaginal Cream with Applicator P Terazol Suppository,Vaginal Gynazole-1
P Lorabid P Omnicef NP Cector CD NP Cedax NP Cefin Tablet 250mg, 500mg NP Cefzil NP Duricef NP Keflex NP Keftab	NP Hiprex NP Macrobid NP Macrodantin NP Monuril NP Neggram NP Primsol	

Key:

G = Means a preferred generic medication.

P = Means a preferred brand-name medication.

NP = Means a nonpreferred brand-name medication.

↓ = Means that a dose lower than the manufacturer's guidelines is often recommended for people 65 and older.

▲ = Means that use by people 65 and older is associated with increased risk; safer alternatives may be available. If used, the dosage should generally be lowered.

■ = Means high risk of birth defects or other adverse outcomes.

☒ = Means do not use in pregnancy.

PSYCHOTHERAPEUTICS (Anxiety/Depression)		
Hypnotic Agents	P ↓ Wellbutrin XL Tablet NP ↓ Desyrel NP ↓ Ludomil NP Remeron Tablet NP ↓ Serzone NP ↓ Wellbutrin NP ↓ Wellbutrin SR	NP □▲ Tranxene T-Tab NP □▲ Valium NP □↓ Xanax NP □↓ Xanax XR
Tricyclic Antidepressants	G ↓ chlorpromazine HCl G ▲ amoxapine G ▲ clomipramine HCl G ↓ desipramine HCl G ▲ doxepin HCl G □▲ imipramine HCl G ↓ nortriptyline HCl P ▲ Surmontil P □▲ Tofranil-PM P ▲ Vivactil NP ▲ Anafranil NP ▲ Asendin NP ↓ Aventyl HCl NP ▲ Elavil NP ↓ Norpramin NP ↓ Pamelor NP ▲ Sinequan NP □▲ Tofranil	Antipsychotics G ↓ chlorpromazine HCl G fluphenazine HCl G ↓ haloperidol G ↓ haloperidol lactate concentrate, oral G ↓ loxapine succinate G ↓ phenothiazine G ↓ thiothixene concentrate, oral G trifluoperazine HCl P Abilify P Clozaril P Gedon P ↓ Maban P Orap P ↓ Risperdal P ▲ Serentil P Serquel P Zyprexa P Zyprexa Zydis NP Symbax
Miscellaneous Antidepressants	G ↓ bupropion HCl tablet G ↓ bupropion HCl tablet, sustained action G ↓ maprotiline HCl G mirtazapine tablet G mirtazapine tablet, rapid dissolve G ↓ trazodone HCl P ↓ Effexor P ↓ Effexor XR P Remeron SolTab	G □↓ alprazolam G buspirone HCl G □▲ chlordiazepoxide HCl G □▲ clorazepate dipotassium G □▲ diazepam G ↓ lorazepam G ↓ oxazepam NP ↓ Ativan NP Buspar NP □▲ Librium NP □▲ Paxipam NP ↓ Serax NP □▲ Tranxene SD
Key:	<p>G = Means a preferred generic medication.</p> <p>P = Means a preferred brand-name medication.</p> <p>NP = Means a nonpreferred brand-name medication.</p> <p>↓ = Means that a dose lower than the manufacturer's guidelines is often recommended for people 65 and older.</p> <p>▲ = Means that use by people 65 and older is associated with increased risk; safer alternatives may be available. If used, the dosage should generally be lowered.</p> <p>□ = Means weigh risk of birth defects or other adverse outcomes.</p> <p>□ = Means do not use in pregnancy.</p>	

CARDIOVASCULAR (Blood Pressure/Heart/Cholesterol)**Beta Blockers**

G acebutolol HCl
 Gatenolol
 G betaxolol HCl
 G bisoprolol fumarate
 G labetalol HCl
 GG metoprolol tartrate
 G nadolol
 G pindolol
 G propranolol HCl
 G propranolol HCl capsule, sustained action 24 hr
 G timolol maleate
 P Coreg
 P Inderal LA
 P Innopran XL
 P Normodyne
 P Toprol XL
 NP Cartrol
 NP Corgard
 NP Inderal
 NP Kerlone
 NP Levatol
 NP Lopressor
 NP Sectral
 NP Tenormin
 NP Trandate
 NP Zebeta

Calcium Blockers

G diltiazem HCl
 G diltiazem HCl capsule, sustained action
 G diltiazem HCl capsule, sustained release 12 hr
 G diltiazem HCl capsule, sustained release 24 hr
 G ↓ verapamil HCl
 G ↓ verapamil HCl tablet, sustained action
 P Cardizem LA
 P ↓ Covera-HS
 P ↓ Nimotop
 P ↓ Verelan
 P ↓ Verelan PM
 NP ↓ Calan SR
 NP Cardizem
 NP Cardizem CD
 NP Cardizem SR
 NP ↓ Isoptin SR.
 NP Tiazac

Dihydropyridines

G nifedipine
 G nifedipine tablet, sustained action
 G nifedipine tablet, sustained release osmotic push
 P Norvasc
 P Sular
 NP Adalat CC
 NP Cardene SR
 NP ↓ DynaCirc

NP ↓ DynaCirc CR
 NP ↓ Plendil
 NP Procardia XL

Nitroglycerin Patches

G nitroglycerin patch
 P Nitro-Dur Patch
 NP Deponit Patch
 NP Minitran Patch

Adrenergic Antagonists & Related Drugs

G clonidine HCl
 G ↓ doxazosin mesylate
 G guanfacine HCl
 G ▲methyldopa
 G ↓ prazosin HCl
 G reserpine
 P ↓ terazosin HCl
 P Catapres-TTS Patch
 NP ↓ Cardura
 NP Catapres
 NP ↓ Minipress
 NP Tenex

Angiotensin II Blockers

P ↓ Atacand
 P ↓ Atacand HCT
 P ↓ Benicar
 P ↓ Benicar HCT
 P ↓ Cozaar
 P ↓ Diovan
 P ↓ Diovan HCT
 P ↓ Hyzaar
 P ↓ Micardis
 P ↓ Micardis HCT
 NP ↓ A valide
 NP ↓ Avapro
 NP ↓ Teveten
 NP ↓ Teveten HCT

Antilipidemics

G cholestyramine/aspartame
 G cholestyramine/sucrose
 G fenofibrate, micronized
 G ↓ gemfibrozil
 G ↓ lovastatin
 G niacin
 P ↓ Advicor
 P Altopen
 P ↓ Lipitor
 P ↓ Lopid
 P Niaspan
 P Tricor
 P Vytarin
 P Welchol
 P Zeda
 P ↓ Zocor
 NP Caduet
 NP Colestid
 NP ↓ Crestor
 NP ↓ Lescol
 NP ↓ Lescol XL
 NP ↓ Mevacor
 NP ↓ Pravachol
 NP Questran
 NP Questran Light

ACE Inhibitors

G ↓ benazepril HCl
 G ↓ captopril
 G Enalapril maleate
 G ↓ fosinopril sodium
 G ↓ lisinopril
 G ↓ moexipril HCl
 G quinapril
 P ↓ Aceon
 P ↓ Altace
 NP ↓ Accupril
 NP ↓ Capoten
 NP ↓ Lotensin
 NP ↓ Mavil
 NP ↓ Monopril
 NP ↓ Prinivil
 NP ↓ Univasc
 NP ↓ Vasotec
 NP ↓ Zestril

Combination Antihypertensives

G Gatenolol/chlorthalidone
 G ↓ benazepril HCl/
 hydrochlorothiazide
 G bisoprolol fumarate/
 hydrochlorothiazide
 G ↓ captopril/
 hydrochlorothiazide
 G Enalapril maleate/
 hydrochlorothiazide
 G fosinopril/
 hydrochlorothiazide
 G hydralazine HCl/
 hydrochlorothiazide
 G ↓ lisinopril/
 hydrochlorothiazide
 G ▲methyldopa/
 hydrochlorothiazide
 G metoprolol/
 hydrochlorothiazide
 G propranolol HCl/
 hydrochlorothiazide
 G ↓ quinapril/
 hydrochlorothiazide
 G reserpine/
 hydrochlorothiazide
 P ↓ Accuretic
 P ↓ Lotrel
 NP ↓ Capozide
 NP Clorpres
 NP Corzide
 NP Inderide LA
 NP ↓ Lexel
 NP Lopressor HCT
 NP ↓ Monopril HCT
 NP ↓ Prinzide
 NP ↓ Tarka
 NP ↓ Tenoretic
 NP Timolide
 NP ↓ Uniretic
 NP ↓ Vaseretic
 NP ↓ Zestoretic
 NP Ziac

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ENDOCRINE (Diabetes/Hormones/Contraceptives)**Insulin Therapy**

P Humalog, Mix
 P Humulin
 P Lantus
 P NovoLog
 P NovoLog Mix 70/30
 NP Novolin
 NP Relion

Oral Hypoglycemics

G acetohexamide
 G ▲chlorpropamide
 G ↓glipizide
 G ↓glipizide tablet, sustained release osmotic push
 G glyburide
 G glyburide/metformin HCl
 G glyburide, micronized
 G metformin HCl
 G metformin HCl tablet, sustained release 24 hr
 G tolazamide
 G tolbutamide
 P Actos
 P Amaryl
 P Avandamet
 P Avandia
 P Metaglip
 P ↓ Prandin
 P Precose
 P Starlix
 NP DiaBeta
 NP Glucophage
 NP Glucophage XR
 NP ↓Glucotrol
 NP ↓Glucotrol XL
 NP Glucovance
 NP Glynase
 NP Glyset
 NP Micronase

Blood Glucose Test Strips

G alcohol antiseptic pads
 P Accu-Chek Active Test Strips
 P Accu-Chek Comfort Curve Test Strips
 P Accu-Chek Compact Test Strips
 P Fast Take Test Strips
 P One Touch Test Strips
 P One Touch Ultra Test Strips

P Surestep Pro Test Strips
 P Surestep Test Strips
 P Tracer BG Test Strips

Contraceptive Agents

G Edesogestrel-ethynodiol estradiol
 G Edesogestrel-ethynodiol/ethynodiol estradiol
 G Ethynodiol d-ethynodiol estradiol
 G Levonorgestrel-ethynodiol estradiol
 G Norethindrone
 G Norethindrone a-c estradiol
 G Norethindrone a-e estradiol/ferrous fumarate
 G Norethindrone-ethynodiol estradiol
 G Norethindrone-mestranol
 G Norgestimate-ethynodiol estradiol
 G Norgestrel-ethynodiol estradiol
 P Alesse
 P Cyclessa
 P Demulen
 P Lo/Ovral
 P Mircette
 P Modicon
 P Nordette
 P NuvaRing
 P Ortho Evra
 P Ortho Micronor
 P Ortho Tri-Cyclen
 P Ortho Tri-Cyclen Lo
 P Ortho-Cept
 P Ortho-Cyclen
 P Ortho-Novum
 P Ovrette
 P Plan B
 P Seasonale
 P Triphasil
 P Yasmin
 P Brevicon
 P Desogen
 P Estrostep Fe
 P Levlen
 P Levite
 P Loestrin
 P Loestrin Fe

NP Norinyl
 NP Tri-Levlen
 NP Tri-Norinyl

Estrogens/Estrogen Combinations

G Estradiol patch, transdermal weekly
 G Estradiol tablet
 G Estropipate
 G Methyltestosterone/estrogens, esterified
 P Activella
 P Climara Patch
 P CombiPatch
 P Estraderm Patch
 P Estratest
 P Estratest H.S.
 P Estring Vaginal Ring
 P Premarin Tablet
 P Premarin Vaginal Cream
 P Premphase
 P Prempro
 P Vagifem
 P Vivelle Patch
 NP Alora
 NP Cenestin
 NP Climara Pro Patch
 NP Escilm Patch
 NP Estinyl
 NP Estrace
 NP Estratab
 NP Femhrt
 NP Femring
 NP Menest
 NP Ogen
 NP Ortho-Prefest

G I (Ulcer)**Ulcer Drugs**

G cimetidine HCl liquid
 G cimetidine tablet
 G famotidine
 G Misoprostol
 G nizatidine
 G omeprazole
 G ranitidine HCl

P Nexium
 P Protonix
 P Zantac Syrup
 NP Aciphex
 NP Axid
 NP Cytotec
 NP Pepcid
 NP Prevacid

NP Prilosec Rx

NP Tagamet

NP Zantac Tablet

Other G I Drugs

G sucralfate tablet
 P Carafate Suspension
 NP Carafate Tablet

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NSAIDs (Pain Relievers)			
NSAIDs			
G	Diclofenac potassium	G	Imeclofenamate sodium
G	Diclofenac sodium	G	Indabumetone
G	Etoradolac	G	Ibuprofen
G	Etoradolac tablet, sustained release 24 hr	G	Ibuprofen sodium
G	Flurbiprofen	G	Ibuprofen sodium tablet, sustained action
G	Ibuprofen	G	Ioxaprozin
G	Indomethacin	G	Ipiroxicam
G	Indomethacin capsule, sustained action	G	Isonildac
G	Ketoprofen	G	Tolmetin sodium
G	Ketoprofen capsule, 24 hr sustained release pellets	P	Lodine
		P	Lodine XL
		P	Mobic
		P	Oruvail
NSAID COX-2 Inhibitors			
		P	Celebrex

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RESPIRATORY (Allergy/Asthma)**Beta Agonists Oral**

G albuterol sulfate
 G albuterol sulfate SR
 G metaproterenol sulfate
 G terbutaline sulfate
 P Volmax
 NP Brethine
 NP Ventolin

Beta Agonist Inhalers

G albuterol aerosol
 G albuterol sulfate solution
 G isoetharine HCl solution
 G metaproterenol sulfate solution
 P Accuneb
 P Foradil
 P Maxair Autohaler
 P Proventil HFA
 P Proventil Inhalation Solution
 P Proventil Inhaler
 P Serevent Diskus
 P Xopenex
 NP Alupent Inhaler
 NP Maxair Inhaler
 NP Tornalate
 NP Ventolin HFA
 NP Ventolin Inhaler

Inhaled Steroids

P Flovent Inhaler
 P Flovent Rotadisk
 P Pulmicort Inhaler
 P Pulmicort Respules
 P QVAR
 P Vanceril
 P Vanceril DS
 NP Aerobid
 NP Aerobid-M
 NP Azmacort
 NP Beclovent

Nasal Corticosteroids

G flunisolide
 P Flonase
 P Nasacort AQ
 P Nasonex
 P Rhinocort Aqua
 NP Nasalide

Miscellaneous Pulmonary Agents

G acetylcysteine vial
 G cromolyn sodium ampul for nebulization

G ipratropium bromide solution
 P Accolate

P Advalir Diskus
 P Atrovent Inhaler
 P Combivent Inhaler
 P Duoneb

P Intal Inhaler

P Pulmozyme

P Singulair

P Spiriva

P Tilade Inhaler

P Tracleer

NP Atrovent Inhalation Solution

NP Xolair

Antihistamine/Decongestant Combinations

G carbetapentane tannate/ chlorpheniramine tannate
 G carbetapentane tannate/ ephedrine tannate/ phenylephrine/ chlorpheniramine suspension
 G carbetapentane tannate/ phenylephrine tannate/ chlorpheniramine suspension
 G carbetapentane tannate/ phenylephrine HCl/ phenyltoloxamine citrate/ chlorpheniramine
 G phenylephrine HCl/ promethazine HCl
 G phenylephrine tannate/ chlorpheniramine tannate
 G phenylephrine tannate/ phenylephrine tannate/ diphenhydramine tannate suspension
 G phenylephrine tannate/ pyramine tannate/ chlorpheniramine tablet
 G ▲pseudoephedrine HCl/ brompheniramine maleate
 G ▲pseudoephedrine HCl/ brompheniramine maleate capsule, sustained release 12 hr
 G ▲pseudoephedrine HCl/ brompheniramine maleate capsule, sustained action
 G pseudoephedrine HCl/ carboxamine maleate

G pseudoephedrine HCl/ carboxamine maleate tablet, sustained action
 ▲pseudoephedrine HCl/ chlorpheniramine maleate
 ▲pseudoephedrine HCl/ chlorpheniramine maleate capsule, sustained release 12 hr
 ▲pseudoephedrine HCl/ chlorpheniramine maleate liquid

G pseudoephedrine tannate/ chlorpheniramine tannate
 G pseudoephedrine tannate/ dextchlorpheniramine tannate

P Allegra-D
 P ▲Deconamine
 P ▲Deconamine SR
 P ▲Histex Liquid
 P ▲Histex SR
 P Respi-Tann
 P Semprex-D
 P Zyrtec-D

P Rynatan
 NP Rynatuss
 NP Trinalin

Antihistamines

G carboxamine maleate liquid
 G ▲clemastine fumarate
 G cyproheptadine HCl
 G ▲dexchlorpheniramine maleate syrup
 G ▲diphenhydramine HCl
 G ▲hydroxyzine HCl
 G ▲hydroxyzine pamoate
 G promethazine HCl
 P Allegra
 P Asteplin Nasal Spray
 P Clarinex RediTabs
 P Clarinex Tablet
 P Histex CT
 P Histex IE
 P Histex PD
 P Zyrtec Chewable Tablets
 P Zyrtec Tablets, Syrup
 ▲Atarax
 P Optimine
 NP Phenergan
 NP Vistaril

MISCELLANEOUS

P Actonel
 P Evista

P Fosamax Solution
 P Fosamax Tablet

P Miacalcin Nasal Spray

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SECTION II: NONPREFERRED DRUGS AND THEIR POSSIBLE PREFERRED ALTERNATIVES

Nonpreferred Product	Possible preferred Products
Aciphex®	omeprazole (generic), Nexium® (AstraZeneca), Protonix® (Wyeth)
Adalat CC®	nifedipine ER tablet, sustained action (generic), Norvasc® (Pfizer), Sular® (First-Horizon)
Adoxa®	doxycycline monohydrate (generic)
Aerobid™	Flovent Inhaler® (GlaxoSmithKline), Pulmicort Inhaler® (AstraZeneca)
Aerobid-M™	Flovent Inhaler® (GlaxoSmithKline), Pulmicort Inhaler® (AstraZeneca)
Alora®	Estraderm® (Novartis), Vivelle® (Novartis), Climara® (Becton)
Alupent Inhaler®	albuterol (generic), Maxair Autohaler® (J.M.)
Amoxil®	amoxicillin trihydrate (generic)
Anafarin®	clomipramine HCl (generic)
Anaprox DS®	naproxen sodium (generic)
Ansaid®	flurbiprofen (generic)
Arthrotec®	Celebrex® (Pfizer)
Asendin® 50mg, 100mg	amoxapine (generic)
Atarax®	hydroxyzine HCl (generic)
Ativan®	lorazepam (generic)
Atrovent® solution, non-oral	ipratropium bromide (generic)
Augmentin® chewable tablet 200-28.5mg, 400-57mg	amoxicillin trihydrate/potassium clavulanate (generic)
Augmentin® suspension 200-28.5mg/5, 400-57mg/5	amoxicillin trihydrate/potassium clavulanate suspension (generic)
Augmentin® tablet 500-125mg, 875-125mg	amoxicillin trihydrate/potassium clavulanate (generic)
Augmentin ES®	amoxicillin trihydrate/potassium clavulanate (generic)
Avadile®	Atacand HCT® (AstraZeneca), Benicar HCT® (Sankyo), Diovan HCT® (Novartis), Hyzaar® (Merck), Micardis HCT® (BPI)
Avapro®	Atacand® (AstraZeneca), Benicar® (Sankyo), Cozaar® (Merck), Diovan® (Novartis), Micardis® (BPI)
Aventyl HCl®	nortriptyline HCl (generic)
Avid®	nizatidine (generic)
Azmecort®	Flovent Inhaler® (GlaxoSmithKline), Pulmicort Inhaler® (AstraZeneca)
Bactrim DS®	sulfamethoxazole/trimethoprim (generic)
Budeovent®	Flovent Inhaler® (GlaxoSmithKline), Pulmicort Inhaler® (AstraZeneca)
Biohist-LA®	pseudoephedrine HCl/chlorpheniramine maleate (generic)
Brethine®	terbutaline sulfate (generic)
Brevicon®	Modicon® (Ortho Pharmaceutical)
Buspar®	buspirone HCl (generic)
Butisol Sodium®	chloral hydrate (generic), temazepam (generic), triazolam (generic)
Caduet®	Lipitor® (Pfizer), Norvasc® (Pfizer)
Calan SR®	verapamil HCl tablet, sustained action (generic)
Capoten®	captopril (generic)
Capozide®	captopril/hydrochlorothiazide (generic)
Carafate Tablet®	sucralfate (generic)
Cardene SR®	nifedipine ER tablet, sustained release osmotic push (generic), Norvasc® (Pfizer), Sular® (First-Horizon)
Cardizem®	diltiazem HCl (generic)
Cardizem CD®	diltiazem HCl capsule, sustained release 24 hr (generic)
Cardizem SR®	diltiazem HCl capsule, sustained release 12 hr (generic)
Cardizem®	diltiazem mesylate (generic)
Carotrol®	acebutolol HCl (generic), atenolol (generic), metoprolol tartrate (generic), propranolol HCl (generic), propranolol HCl capsule, sustained action 24 hr (generic), timolol maleate (generic)
Citallam®	diclofenac potassium (generic)
Catapres®	clonidine HCl (generic)
Cedor CD®	cefaclor (generic), cefuroxime axetil (generic), Omnicef® (Abbott)
Cedax®	cefaclor (generic), cefuroxime axetil (generic), Omnicef® (Abbott)

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Nonpreferred Product	Possible preferred Products
Cefdin Tablets® 250mg, 500mg	cefuroxime axetil (generic)
Cefzil®	cefadroxil (generic), cefuroxime axetil (generic), Omnicef® (Abbott)
Celexa®	citalopram (generic)
Cenestin™	Premarin® (Wyeth)
Cinobac®	sulfamethoxazole/trimethoprim (generic), trimethoprim (generic), ciprofloxacin HCl (generic), Levaquin® (J&J), Noroxin® (Merck)
Cipro Tablets® 250mg, 500mg, 750mg	ciprofloxacin HCl tablet (generic)
Cleocin HCl™	clindamycin HCl (generic)
Climara Pro®	Combipatch® (Novartis)
Clinoril®	sulindac (generic)
Clorpres®	clonidine HCl (generic), chlordiazepoxide (generic)
Colestid®	cholestyramine/sucrose (generic), Welchol® (Sankyo)
Corgard®	nadolol (generic)
Corzide®	bisoprolol fumarate/hydrochlorothiazide (generic), propranolol HCl/hydrochlorothiazide (generic)
Crestor®	lovastatin (generic), Lipitor® (Pfizer), Zocor® (Merck)
Cytosec®	mifepristone (generic)
DA II®	Deconamine SR® (Bradley)
Dallerg® syrup	pseudoephedrine HCl/brompheniramine maleate (generic)
Dalmane®	flurazepam HCl (generic)
Daypro®	oxaprotrizin (generic)
Desogen®	Ortho-Cept® (Ortho Pharmaceutical)
Desyrel®	trazodone HCl (generic)
Diabeta®	glyburide (generic)
Dilacor XR®	diltiazem XR (generic)
Dispermox®	amoxicillin trihydrate suspension (generic), amoxicillin trihydrate chewable tablet (generic)
Doral™	temazepam (generic), triazolam (generic), Ambien® (Sanofi), Sonata® (Wyeth), Restoril® (Mallinckrodt)
Doryx®	doxycycline hydrate (generic)
Duricef®	cefadroxil hydrate (generic)
Dynacin®	minocycline HCl (generic)
DynaCirc®	nifedipine ER tablet, sustained release osmotic pump (generic), Norvasc® (Pfizer), Sular® (First Horizon)
DynaCirc CR®	nifedipine ER tablet, sustained release osmotic pump (generic), Norvasc® (Pfizer), Sular® (First Horizon)
EC-Naprosyn®	naproxen (generic)
Bavil®	amitriptyline HCl (generic)
Enduronyl®	reserpine/hydrochlorothiazide (generic)
Enduronyl Force®	reserpine/hydrochlorothiazide (generic)
EryPed Chewable Tablet® 200mg	erythromycin ethylsuccinate (generic)
EryPed Suspension® 400mg/5ml	erythromycin ethylsuccinate (generic)
Esclim®	estradiol tablets (generic), estradiol transdermal patch (generic)
Esodyn®	estradiol (generic), estropipate (generic), Premarin® (Wyeth)
Estrace Tablet®	estradiol (generic)
Estrace Vaginal Cream®	Premarin Vaginal Cream® (Wyeth)
Estratab®	estradiol (generic), estropipate (generic), Premarin® (Wyeth)
Estrogel®	estradiol patch (generic), Climara Patch™ (Berlex), Estraderm Patch® (Novartis), Vivelle Patch® (Novartis)
Eurostep Fe®	desogestrel-ethynodiol dihydrogesterone (generic), desogestrel-ethynodiol estradiol/ethynodiol estradiol (generic), norethindrone a-e estradiol/ferrous fumarate (generic), Cyclessa® (Organon), Mircette® (Organon), Ortho-Cept® (Ortho Pharmaceutical)
Factive®	ofloxacin (generic), Avelox® (Schering), Levaquin® (J&J)
Feldene®	piroxicam (generic)
Femhrt®	Activella® (Novo Nordisk), Premphase® (Wyeth), Prempak® (Wyeth)
Femring®	Estring® (Pfizer), Premarin Vaginal Cream® (Wyeth)
Floxin®	ofloxacin (generic)

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Nonpreferred Product	Possible Preferred Products
Foramet® tablet, SR osmotic push 24 hr	metformin HCl ER tablet, sustained release 24 hr (generic), metformin HCl tablet (generic)
Fulvicin P/G®	griseofulvin ultramicrosize (generic), ketoconazole (generic), Lamisil® (Novartis), Nizoral® (Janssen), Sporanox® (Janssen)
Fulvicin U/P®	griseofulvin ultramicrosize (generic), ketoconazole (generic), Lamisil® (Novartis), Nizoral® (Janssen), Sporanox® (Janssen)
Gantrelin®	sulfisoxazole (generic)
Geocillin®	ciprofloxacin HCl (generic)
Glucophage®	metformin HCl (generic)
Glucophage XR®	metformin HCl ER tablet, sustained release 24 hr (generic), metformin HCl tablet (generic)
Glucotrol®	glipizide (generic)
Glucotrol XL®	glipizide ER (generic)
Glucovance®	glyburide/metformin HCl (generic)
Glynase®	glyburide, micronized (generic)
Glyset®	Precose® (Bayer)
Grifulvin V Tablet®	griseofulvin ultramicrosize (generic), ketoconazole (generic), Lamisil® (Novartis), Nizoral® (Janssen), Sporanox® (Janssen)
Gris-Peg®	griseofulvin ultramicrosize (generic), ketoconazole (generic), Lamisil® (Novartis), Nizoral® (Janssen), Sporanox® (Janssen)
Gynabenz Acetate®	clonidine HCl (generic), methyldopa (generic)
Gynazole-1®	fluconazole (generic), Terazol® (Ortho Pharmaceutical)
Haldion®	triazolam (generic)
Hiprex®	methenamine hippurate (generic)
Hylodrel®	clonidine HCl (generic), methyldopa (generic)
Inderal®	propranolol HCl (generic)
Inderide LA®	propranolol HCl/hydrochlorothiazide (generic), Lopressor HCT® (Novartis)
Indocin®	indomethacin (generic)
Isoptin S.R.®	verapamil HCl tablet, sustained action (generic)
Keflex®	cephalexin monohydrate (generic)
Keftab®	cephalexin monohydrate (generic)
Kerlonel®	beta-blocker HCl (generic)
Lescol®	lovastatin (generic), Lipitor® (Pfizer), Zocor® (Merck)
Lescol XL®	lovastatin (generic), Lipitor® (Pfizer), Zocor® (Merck)
Levatol®	acebutolol HCl (generic), atenolol (generic), metoprolol tartrate (generic)
Lovelan®	Nordette® (Merck)
Levite®	avilam (generic), lessina (generic), Alesse® (Wyeth)
Lexapro®	citalopram (generic), fluoxetine HCl (generic), paroxetine HCl (generic), Paxil CR® (GlaxoSmithKline), Zoloft® (Pfizer)
Lexapro Solution®	citalopram solution (generic), fluoxetine HCl solution (generic), Paxil Suspension® (GlaxoSmithKline)
Lexel®	Lotrel® (Novartis)
Librium®	chloridiazepoxide HCl (generic)
Loeserin®	junel (generic), microgestin (generic)
Loestrin FE®	junel fe (generic), microgestin fe (generic)
Lopressor®	metoprolol tartrate (generic)
Lotensin®	benazepril HCl (generic)
Lotensin HCT®	benazepril HCl/hydrochlorothiazide (generic)
Ludiomil®	maprotiline HCl (generic)
Luvox®	fluvoxamine maleate (generic)
Macrobid®	nitrofurantoin monohyd macro (generic)
Macrodandrin®	nitrofurantoin macrocrystal (generic)
Mandelamine®	methenamine mandelate (generic)
Mandelamine Hafgrams®	methenamine mandelate (generic)
Mavik®	benazepril HCl (generic), enalapril maleate (generic), lisinopril (generic), Aceon® (Solvay Pharmaceuticals), Altace® (Monarch)

Nonpreferred Product	Possible Preferred Products
Maxair®	Maxair Autohaler® (3M)
Maxaquin®	ciprofloxacin HCl (generic), Avlex® (Schering), Levaquin® (J&J)
Mellaril®	chlorpromazine HCl (generic), haloperidol (generic), Risperdal® (Janssen), Seroquel® (AstraZeneca), Abilify® (Otsuka America)
Menest®	estradiol (generic), estropipate (generic), Premarin® (Wyeth)
Menostar Patch®	Climara Patch® (Berlex), Vivelle Patch® (Novartis)
Mescolor®	pseudoephedrine HCl/chlorpheniramine maleate (generic), pseudoephedrine HCl/chlorpheniramine maleate capsule, sustained release 12 hr (generic), pseudoephedrine HCl/brompheniramine maleate (generic), Deconamine SR® (Bradley)
Mevacor®	lovastatin (generic)
Micronase®	glyburide (generic)
Minipress®	prazosin HCl (generic)
Minitran Patch®	nitroglycerin patch (generic), Nitro-Dur Patch® (Schering)
Minocin®	minocycline HCl (generic)
Monistar 3 Vaginal Suppository®	miconazole 3 vaginal suppository (generic)
Monodox®	doxycycline monohydrate (generic)
Monopril®	fosinopril sodium (generic)
Monopril HCT®	benazepril HCl/hydrochlorothiazide (generic), enalapril maleate/hydrochlorothiazide (generic), lisinopril/hydrochlorothiazide (generic)
Monurol®	sulfamethoxazole/trimethoprim (generic), trimethoprim (generic), ciprofloxacin HCl (generic), Noroxin® (Merck)
Motrin®	ibuprofen (generic)
Mycostatin Lozenge®	clotrimazole troche (generic)
Nalex-A®	Deconamine SR® (Bradley)
Nalfon®	etodolac (generic), ibuprofen (generic), indometacin (generic), meclofenamate sodium (generic), naproxen (generic), sulindac (generic)
Naprelan®	naproxen sodium (generic)
Naprosyn®	naproxen (generic)
Nasalide®	flunisolide (generic)
Negram®	sulfamethoxazole/trimethoprim (generic), trimethoprim (generic), ciprofloxacin HCl (generic), Noroxin® (Merck)
Nembutal Sodium®	chloral hydrate (generic), temazepam (generic), triazolam (generic)
Nitrek Patch®	nitroglycerin patch (generic), Nitro-Dur Patch® (Schering)
Norint®	Ortho-Novum® (Ortho Pharmaceutical)
Norpramin®	desipramine HCl (generic)
Novolin®	Humulin® (Eli Lilly)
Ogen®	estropipate (generic)
Optamine®	clemastine fumarate (generic), hydroxyzine HCl (generic), Allegra® (Aventis), Clarinex® (Schering), Zyrtec® (Pfizer)
Orinase®	tolbutamide (generic)
Ortho-Prefest®	Activella® (Novo Nordisk), Primophase® (Wyeth), Prempro® (Wyeth)
Ovcon®	Ortho-Novum® (Ortho Pharmaceutical)
Ovcon Chewable Tablet®	norethindrone-ethynodiol tablet 0.5-0.035 (generic), Modicon® (Ortho Pharmaceutical)
Orval®	norgestrel-ethynodiol (generic)
Pamelor®	nortriptyline HCl (generic)
Paxil Tablet®	paroxetine HCl (generic)
Paxipam®	oxazepam (generic), diazepam (generic), lorazepam (generic), clorazepate dipotassium (generic)
PCP®	erythromycin base (generic)
Pediasex®	carbinoxamine maleate (generic)
Penectrex®	sulfamethoxazole/trimethoprim (generic), trimethoprim (generic), ciprofloxacin HCl (generic), Levaquin® (J&J), Noroxin® (Merck)
Pepcid Suspension®	cimetidine HCl liquid (generic), Zantac Syrup® (GlaxoSmithKline)

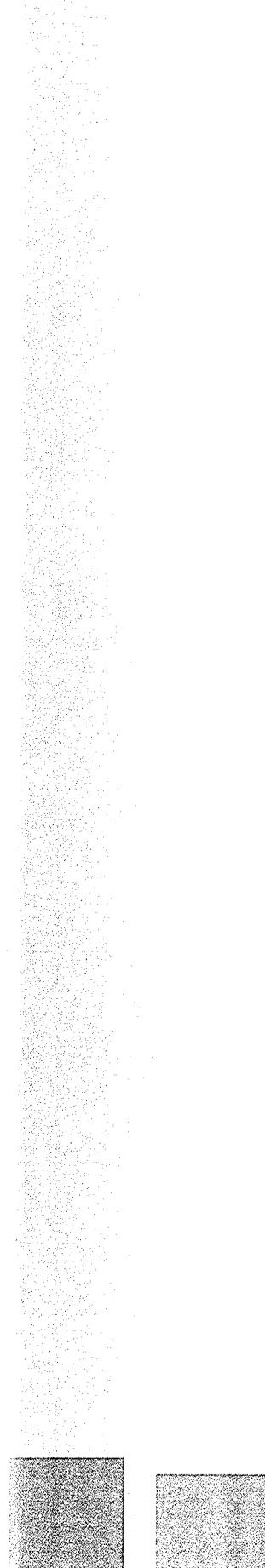
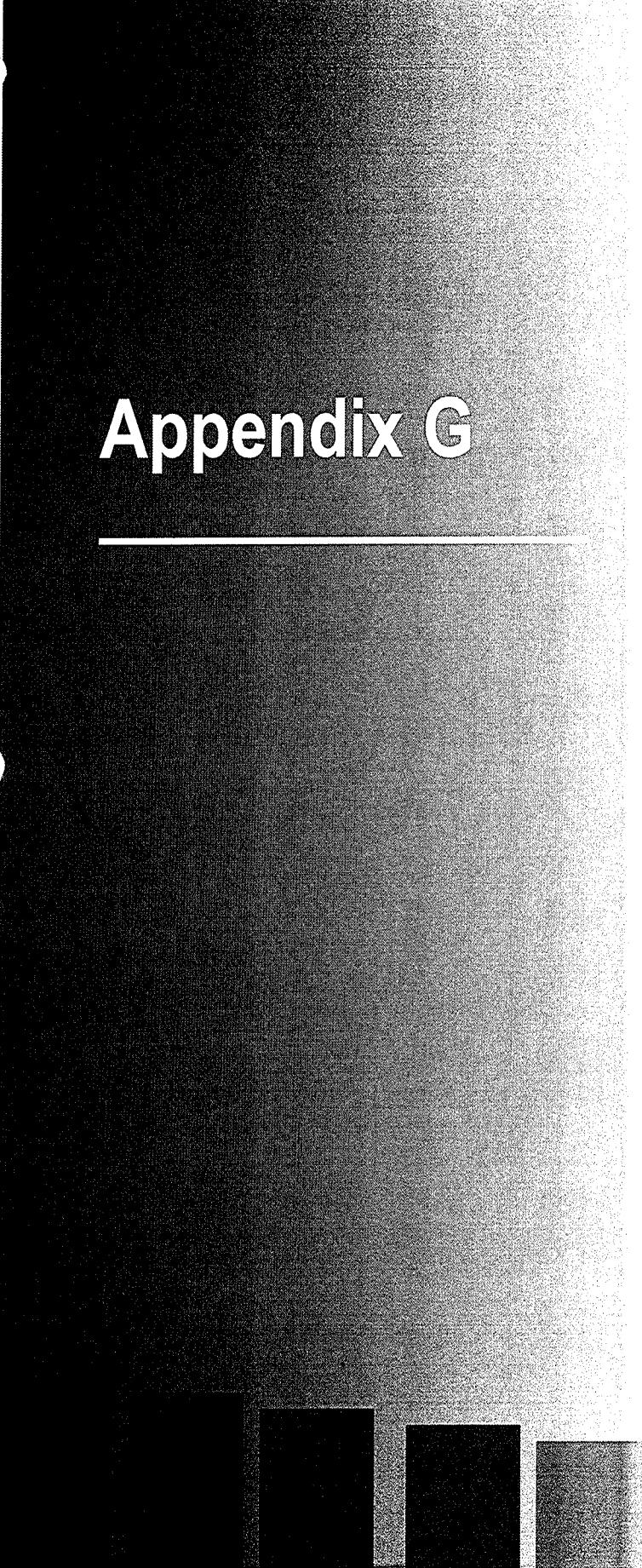
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Nonpreferred Product	Possible Preferred Products
Papaid Tablor®	famotidine (generic)
Periostat®	doxycycline hyclate (generic)
Pexaya®	paroxetine HCl (generic)
Phenergan®	promethazine HCl (generic)
Placidyl®	chloral hydrate (generic), temazepam (generic), triazolam (generic)
Plendil®	nifedipine ER tablet, sustained release osmotic push (generic), Norvasc® (Pfizer), Sular® (First Horizon)
Polaramine®	clemastine fumarate (generic), hydroxyzine HCl (generic), Allegra® (Aventis), Clarinex® (Schering), Zyrtec® (Pfizer)
Ponstel®	etodolac (generic), ibuprofen (generic), indomethacin (generic), meclofenamate sodium (generic), naproxen (generic), sulindac (generic)
Pravachol®	lovastatin (generic), Lipitor® (Pfizer), Zocor® (Merck)
Prevacid®	omeprazole (generic), Nexium® (AstraZeneca), Protonix® (Wyeth)
Prevacid Suspension®	omeprazole (generic), Nexium® (AstraZeneca), Protonix® (Wyeth)
Preven®	Plan B® (Duramed/Barr)
Prilosec Rx®	omeprazole (generic), Nexium® (AstraZeneca), Protonix® (Wyeth)
Primsol®	carimephoprin (generic)
Prinivil®	lisinopril (generic)
Prinzipide®	lisinopril/hydrochlorothiazide (generic)
Procardia XL®	nifedipine ER tablet, sustained release osmotic push (generic)
ProSom®	estazolam (generic)
Prozac®	fluoxetine HCl (generic)
Prozac Weekly®	fluoxetine HCl (generic)
Questran®	cholestyramine/sucrose (generic)
Questran Light®	cholestyramine/aspartame (generic)
Ranidol® tablet, chewable	cefadroxil suspension (generic), cefadroxil capsule (generic)
Relafen®	nabumetone (generic)
ReliOn®	Mumulin® (Eli Lilly)
Remeron Tablet®	mirtazapine (generic), Remeron SoftTab® (Organon)
Riomet Solution®	metformin HCl (generic)
Rynatan®	pseudoephedrine HCl/chlorpheniramine maleate (generic), pseudoephedrine HCl/brompheniramine maleate (generic)
Rynatuss® tablet	Deconamine SR® (Bradley)
Seconal Sodium®	chloral hydrate (generic), temazepam (generic), triazolam (generic)
Secural®	acebutolol HCl (generic)
Septra DS®	sulfamethoxazole/trimethoprim (generic)
Serax®	oxazepam (generic)
Serzone®	fluoxetine HCl (generic), paroxetine HCl (generic)
Sinequan®	doxepin HCl (generic)
Spectracef®	cefadroxil (generic), cefuroxime axetil (generic), Omnicef® (Abbott)
Suprax®	cefuroxime axetil (generic), Omnicef® (Abbott)
Symbax®	fluoxetine HCl (generic), Zyprexa® (Eli Lilly), Abilify® (Otsuka America), Risperdal Tablet® (Janssen), Serquel® (AstraZeneca)
Tagamet®	cimetidine (generic)
Tanafed®	Deconamine® (Bradley), pseudoephedrine HCl/carbinoxamine maleate (generic)
Tarla®	Lotrele® (Novartis)
Tenex®	guanfacine HCl (generic)
Tenoretic®	atenolol/chlordihalone (generic)
Tenormin®	atenolol (generic)
Tequin®	Avelox® (Schering), Lavaquin® (J&J)
Tevaceren®	Atorvastatin (AstraZeneca), Benicar® (Sankyo), Cozaar® (Merck), Diovan® (Novartis), Micardis® (BIP)

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Nonpreferred Product	Possible Preferred Products
Teveten HCT®	Atacand HCT® (AstraZeneca), Benicar HCT® (Sankyo), Diovan HCT® (Novartis), Hyzaar® (Merck), Micardis HCT® (BIP)
Thioridazine HCl®	chlorpromazine HCl (generic), haloperidol (generic), Risperdal® (Janssen), Seroquel® (AstraZeneca), Abilify® (Otsuka America)
Tlazac® 120mg, 180mg, 240mg, 300mg, 360mg	clorazepate HCl capsule, sustained release 24 hr (generic)
Tlazac® 420mg	Cardizem LA® (Biovail)
Timolide®	atenolol/chlorthalidone (generic)
Tofranil®	imipramine HCl (generic)
Toradol®	etodolac (generic), ibuprofen (generic), indomethacin (generic), meclofenamate sodium (generic), naproxen (generic), sulindac (generic)
Tornilate®	albuterol (generic), Proventil HFA® (Schering), Xopenex® (Spraycor)
Trandate®	labelatol HCl (generic)
Tranxene SD®	clorazepate dipotassium (generic)
Tranxene T-Tab®	clorazepate dipotassium (generic)
Tri-Levlen®	Triphasil® (Wyeth)
Tri-Noriny®	Ortho-Novum® (Ortho Pharmaceutical), Triphasil® (Wyeth)
Uniretic®	benazepril HCl/hydrochlorothiazide (generic), enalapril maleate/hydrochlorothiazide (generic), lisinopril/hydrochlorothiazide (generic), Accuretic® (Pfizer)
Univase®	moexipril HCl (generic)
Valium®	diazepam (generic)
Vancin Suspension®	cofaxomine proxetil suspension (generic), Omnicef Suspension® (Abbott)
Vandin Tablet®	cefdoxime proxetil tablet (generic)
Vaserodec®	enalapril maleate/hydrochlorothiazide (generic)
Vasotec®	enalapril maleate (generic)
Velosep®	cephradine (generic)
Ventolin®	albuterol (generic)
Ventolin HFA®	Proventil HFA® (Schering)
Vfend Suspension®	Vfend Tablet® (Pfizer)
Vibramycin Syrup®	Vibramycin Suspension® (Pfizer)
Vistaril®	hydroxyzine pamoate (generic)
Voltaren®	diclofenac sodium (generic)
Voltaren-XR®	diclofenac sodium tablet, enteric coated (generic)
Wellbutrin®	bupropion HCl (generic)
Wellbutrin SR®	bupropion HCl tablet, sustained release (generic), bupropion HCl tablet (generic), Wellbutrin XL® (GlaxoSmithKline)
Wycensin®	clonidine HCl (generic), methyldopa (generic)
Xanax®	alprazolam (generic)
Xanax XR®	alprazolam (generic)
Zagam®	ciprofloxacin HCl (generic), Avalox® (Bayer), Levaquin® (J&J)
Zantac®	ranitidine HCl (generic)
Zebect®	bisoprolol fumarate (generic)
Zestoredec®	lisinopril/hydrochlorothiazide (generic)
Zestril®	lisinopril (generic)
Ziac®	bisoprolol fumarate/hydrochlorothiazide (generic)

Appendix G



EXECUTION COPY

INTEGRATED PRESCRIPTION DRUG PROGRAM AGREEMENT

THIS AGREEMENT is entered into as of the 1st day of July, 2002, (the "Effective Date") between Systemed, L.L.C., located at 100 Parsons Pond Drive, Franklin Lakes, New Jersey 07417 ("SYSTEMED"), a subsidiary of Merck-Medco Managed Care, L.L.C. ("MERCK-MEDCO") and State Teachers' Retirement Board, located at 21 Grand Street, Hartford, CT 06106 ("STRB").

WHEREAS, SYSTEMED, through its affiliate PAID Prescriptions, L.L.C. ("PAID") provides prescription drug benefits programs. PAID has established networks of participating retail pharmacies and has developed and operates a system for the processing, fulfillment and payment of claims for prescription drugs furnished by such pharmacies; and

WHEREAS, Merck-Medco Rx Services of New Jersey, L.L.C. and its affiliates ("Rx SERVICES") are licensed pharmacies affiliated with SYSTEMED which provide prescription drugs via home delivery; and

WHEREAS, STRB desires to retain the services of SYSTEMED to provide a prescription drug benefit program (the "Program") including, but not limited to, retail and home delivery pharmacy services for eligible persons, point-of-care, physician office communications and cost containment initiatives developed and implemented by SYSTEMED which may include communications with prescribers, patients and/or participating pharmacies, and financial incentives to participating pharmacies for their participation in such initiatives (collectively, "PBM Services").

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the parties hereto agree as follows:

1. DEFINITIONS

- 1.1. "AWP" means the average wholesale price of the Covered Drug, as set forth in the current price list in recognized sources such as First DataBank's National Drug Data File, or other nationally recognized source determined by SYSTEMED, or the direct cost listed in those instances in which only the direct cost is listed. Under the Retail Pharmacy Program, AWP is based on the package size submitted. Under the Home Delivery Pharmacy Program, AWP is based on package sizes of 100 units for capsules and tablets and 16 oz. quantities for liquids (or smaller quantities if such quantities are not available), and all other Covered Drugs will be priced as individual units or smallest package size available (e.g., per vial, per suppository, etc.). If First DataBank or other applicable source changes the methodology for calculating AWP in a way that materially changes the economics of the Program, the parties agree to modify the Program Pricing Terms to preserve the parties' relative economics before such changed methodology.
- 1.2. "Brand Name Drugs" means single or multisource brand drugs as set forth in First Databank's National Drug Data File (or such other nationally recognized source reasonably determined by SYSTEMED), but excluding those drugs billed as generics under the Agreement.
- 1.3. "Claims Adjudication Accuracy Rate" means (i) the number of retail claims, home delivery claims and directly submitted paper claims, adjudicated by SYSTEMED in a Contract Year that do not contain a material adjudication error, divided by (ii) the total number of all such claims adjudicated by SYSTEMED in such Contract Year.
- 1.4. "Contract Quarter" means the full three (3) month period commencing on the Effective Date, and each full consecutive three (3) month period thereafter that this Agreement remains in effect.

- 1.5. "Contract Year" means the full twelve (12) month period commencing on the Effective Date and each full consecutive twelve (12) month period thereafter that this Agreement remains in effect.
- 1.6. "Copayment" and/or "Coinsurance" means the amount to be paid by an Eligible Person for each prescription or authorized refill as determined in accordance with the Plan Design(s).
- 1.7. "Covered Drugs" means all drugs which, under state or federal law, require a prescription. Excluded from Covered Drugs are (i) cosmetic drugs, (ii) appliances, devices, bandages, heat lamps, braces, splints, and artificial appliances, and (iii) health and beauty aids, cosmetics and dietary supplements ("Exclusions"). Additional Covered Drugs and/or Exclusions will be designated by STRB.
- 1.8. "Dispensing Accuracy Rate" means (i) the number of all prescriptions dispensed by Rx SERVICES in a Contract Year less the number of those prescriptions dispensed by Rx SERVICES in such Contract Year which are reported to Rx SERVICES and verified by Rx SERVICES as having been dispensed with the incorrect drug or strength, divided by (ii) the number of all prescriptions dispensed by Rx SERVICES in such Contract Year.
- 1.9. "Dispensing Fee" means the amount payable by STRB pursuant to Sections 1 or 2 of Schedule A of this Agreement to dispense a prescription to an Eligible Person by a Participating Pharmacy or Rx SERVICES.
- 1.10. "Eligible Person" means each person who is eligible for prescription drug benefits pursuant to this Agreement, and such person's qualified dependents.
- 1.11. "Generic Drug" means a multisource generic drug as set forth in First Databank's National Drug Data File (or such nationally recognized source reasonably determined by SYSTEMED), as well as all drugs billed as generic drugs under the Agreement.
- 1.12. "Group" means a group of Eligible Persons that have the same Plan Design as designated by STRB.
- 1.13. "Home Delivery Program" means the program described in Section 4 in which Eligible Persons may submit a prescription along with the applicable Copayment/Coinsurance to Rx SERVICES for dispensing via home delivery.
- 1.14. "Integrated Program" means a program in which Eligible Persons enrolled in such program may have prescriptions dispensed either (i) by a Participating Pharmacy under the Retail Pharmacy Program or (ii) by Rx SERVICES under the Home Delivery Pharmacy Program. Reference to the Retail Pharmacy Program, and/or Home Delivery Pharmacy Program herein will include services performed by PAID and Rx SERVICES for Eligible Persons enrolled in the Integrated Program.
- 1.15. "MAC or the "Maximum Allowable Cost" consists of a list of off-patent drugs subject to maximum allowable cost payment schedules developed by MERCK-MEDCO. The payment schedules specify the maximum unit ingredient cost payable by STRB for drugs on the MAC list. The MAC list and payment schedules are frequently updated.
- 1.16. "Minimum Enrollment" means an enrollment of not less than 10,000 Primary Eligible Participants under the Program.
- 1.17. "Non-Protocol Prescriptions" means prescriptions for Covered Drugs received by Rx SERVICES that are in stock and which do not require physician or patient contact or other non-standard procedures prior to dispensing by Rx SERVICES.

- 1.18. "Participating Pharmacy" means a retail pharmacy that has entered into an arrangement with SYSTEMED to participate in PAID's Select National Network ("SNN") servicing STRB's Program.
- 1.19. "Patient Satisfaction Rate" means (i) the number of Eligible Persons responding to MERCK-MEDCO's annual standard Patient Satisfaction Survey as being satisfied with the services provided under the Home Delivery Pharmacy Program divided by (ii) the total number of Eligible Persons responding to such annual Patient Satisfaction Survey; STRB must provide timely approvals and responses, and a minimum of 20% of surveys must be returned to be applicable.
- 1.20. "Plan Design" means Program drug coverage, days supply limitation, Copayment/Coinsurance, Formulary (including Formulary drug selection and relative cost indication) and other Program specifications applicable to the Program set forth in this Agreement or otherwise agreed to, in writing, between the parties.
- 1.21. "Primary Eligible Participant" means each Eligible Person, excluding Eligible Persons who are qualified dependents.
- 1.22. "Program Pricing Terms" means the (i) financial or pricing terms, allowances, guarantees and incentives set forth in this Agreement, (ii) performance standards and penalties set forth in Section 5 of this Agreement, (iii) Formulary management fee and the Guaranteed Savings set forth in Section 6 of this Agreement and, (iv) Health Management Program pricing set forth in Section 14 of this Agreement.
- 1.23. "Retail Pharmacy Program" means the program described in Section 3 in which Eligible Persons may purchase Covered Drugs from a Participating Pharmacy upon verification of Program eligibility and payment of the applicable Copayment/Coinsurance, and the claim is submitted by the Participating Pharmacy to SYSTEMED for payment in accordance with this Agreement and the applicable PAID Participating Pharmacy Agreement.
- 1.24. "TelePAID® System" or "TelePAID®" means SYSTEMED's real time, on-line system for adjudicating prescription drug claims submitted by retail pharmacies.
- 1.25. "TelePAID System Availability Rate" means the percentage of normal operating hours that the TelePAID System is operational, excluding scheduled maintenance time, measured on an annual basis.
- 1.26. "Telephone Abandonment Rate" means (i) the number of incoming telephone calls received by the customer service telephone line during a Contract Year which are abandoned by the caller after twenty (20) seconds, divided by (ii) the total number of incoming telephone calls received by the customer service telephone line during such Contract Year.

2. STRB FURNISHED INFORMATION

STRB will promptly furnish to SYSTEMED, in a format acceptable to SYSTEMED, all information necessary for SYSTEMED to render the services set forth herein. Such information will include, but is not limited to:

- 2.1. A file of Eligible Persons, and subsequent timely additions and deletions to such file as changes occur. STRB will pay for any Covered Drug dispensed to a person reported by STRB as no longer an Eligible Person if such notification is not received by SYSTEMED at least two (2) full business days prior to the dispensing date of such prescription.
- 2.2. Designation, in writing, of Plan Design features to be determined by STRB.

- 2.3. The reimbursement terms applicable to direct reimbursement claims submitted by Eligible Persons under the Retail Pharmacy Program.
- 2.4. The type, number and description of PAID identification cards ("Identification Cards") required under the Retail Pharmacy Program.

3. RETAIL PHARMACY PROGRAM

The specific features of the Retail Pharmacy Program are as follows:

- 3.1. Program Coverage - The Program coverage (Covered Drugs/Exclusions) and days supply limitation covered under the Retail Pharmacy Program will be as designated by STRB. Up to a 30 day supply of Covered Drugs per prescription or refill may be dispensed under the Retail Pharmacy Program.
- 3.2. Participating Pharmacy Networks - SYSTEMED will maintain a Participating Pharmacy Network reasonably necessary to provide services under the Retail Pharmacy Program.
- 3.3. Identification Cards - SYSTEMED will (i) produce Identification Cards for those Eligible Persons designated by STRB with an accompanying explanatory brochure, and (ii) make direct reimbursement claim forms available through the www.merckmedco.com internet site for use by Eligible Persons who have not received their Identification Cards, or have had them lost or stolen. SYSTEMED will distribute Identification Cards and claim forms to STRB for distribution by STRB to the designated Eligible Persons. All costs associated with distributing and/or mailing such materials are the responsibility of STRB.
- 3.4. Claim Adjudication - SYSTEMED will adjudicate and pay approved claims for prescription drug benefits in accordance with SYSTEMED's TelePAID System and the applicable Plan Design. Disapproved claims will be transmitted to the submitting pharmacy with a brief explanation of the cause or causes for disapproval.
- 3.5. Claim Disputes - Any questions involving Program procedures or relating to applicable benefits will be resolved prior to payment by SYSTEMED, and payment may be delayed following receipt of a claim pending resolution of such questions. Subject to the terms and conditions herein, STRB will make the final determination regarding payment of all submitted claims. Should STRB determine that a previously disapproved claim should be paid, and so direct SYSTEMED, payment of such claim will be accomplished promptly by SYSTEMED. SYSTEMED will promptly refer to STRB all non-routine inquiries by insurance departments, attorneys, claimants, or other persons following the denial of any claims.
- 3.6. Administrative Services - SYSTEMED will provide, as applicable, the Base Administrative Services and the Additional Administrative Services set forth in Schedule A.
- 3.7. Pricing - The Program Pricing Terms applicable to the Retail Pharmacy Program are set forth in Schedule A, in addition to the performance standards and penalties set forth in Section 5 and the Formulary management fee and the Guaranteed Savings set forth in Section 6 of this Agreement.

4. HOME DELIVERY PHARMACY PROGRAM

4.1. Program Coverage

- 4.1.1. The Program coverage (Covered Drugs/Exclusions) and days supply limitation under the Home Delivery Pharmacy Program will be as designated by STRB.

- 4.1.2. Rx SERVICES will not be required to dispense prescriptions for greater than a 90 day supply of Covered Drugs per prescription or refill, subject to the professional judgment of the dispensing pharmacist, limitations imposed on controlled substances and manufacturer's recommendations. Prescriptions may be refilled providing the prescription so states. Prescriptions will not be filled (i) more than 12 months after issuance, (ii) more than 6 months after issuance for controlled drug substances, or (iii) if prohibited by applicable law or regulation.

4.2. Dispensing Procedures

- 4.2.1. Rx SERVICES will dispense Covered Drugs to Eligible Persons, and dispense generic drugs when authorized, in accordance with (i) applicable law and regulations in the state in which Rx SERVICES' pharmacy is located, and (ii) the terms of this Agreement and Plan Design(s).
- 4.2.2. All matters pertaining to the dispensing of Covered Drugs or the practice of pharmacy in general are subject to the professional judgment of the dispensing pharmacist.
- 4.2.3. Any drug which cannot be dispensed in accordance with Rx SERVICES' dispensing protocols, or which requires special record-keeping procedures, may be excluded from coverage by SYSTEMED.
- 4.2.4. If it becomes impracticable, for reasons of a force majeure or otherwise, for a specific Rx SERVICES pharmacy to dispense prescriptions to Eligible Persons under the Program, Rx SERVICES will use reasonable efforts to have Program prescriptions dispensed from an affiliated home delivery pharmacy, subject to applicable laws and regulations.

- 4.3. Pricing - The Program Pricing Terms applicable to the Home Delivery Pharmacy Program are set forth in Schedule A, in addition to the performance standards and penalties set forth in Section 5 and the Formulary management fee and the Guaranteed Savings set forth in Section 6 of this Agreement.

5. PERFORMANCE STANDARDS AND PENALTIES

- 5.1. The following performance standards will apply during the Initial Term of this Agreement:
- 5.1.1. SYSTEMED will supply STRB with pre-addressed forms and envelopes for use by Eligible Persons in mailing their prescriptions to Rx SERVICES.
- 5.1.2. The TelePAID System Availability Rate for each Contract Year will be 99.5% or greater. STRB may assess a penalty against SYSTEMED in the amount of \$5,000 for each Contract Year that the TelePAID System Availability Rate averages less than 99.5% for a Contract Year.
- 5.1.3. The Dispensing Accuracy Rate for each Contract Year will be 99.99% or greater. STRB may assess a penalty against SYSTEMED in the amount of \$5,000 for each Contract Year that the Dispensing Accuracy Rate averages less than 99.99% for a Contract Year.
- 5.1.4. Rx SERVICES will dispense all Non-Protocol Prescriptions received each Contract Year under the Home Delivery Pharmacy Program within an average of three (3) business days following receipt. All other prescriptions received each Contract Year will either be dispensed, or returned to the applicable Eligible Person with an explanation as to why it could not be dispensed, within an average of five (5) business days following receipt by Rx SERVICES. STRB may assess a penalty against SYSTEMED in the amount of \$5,000 for each Contract Year that Rx SERVICES fails to meet these dispensing time

period standards. This Section 5.1.4 is subject to a maximum penalty of \$5,000 per Contract Year.

- 5.1.5. SYSTEMED will prepare and provide to STRB SYSTEMED's standard management/utilization reports. Standard^{PLUS} Report Series will be made available to STRB forty five (45) business days following the quarter's end for quarterly reports. Billing Detail Reports will be mailed to STRB within five (5) business days following the end of the applicable claims cycle report period. STRB may assess a penalty against SYSTEMED in the amount of \$500 for each report which is not made available within the applicable time periods, subject to a maximum penalty of \$5,000 per Contract Year.
- 5.1.6. Processable maintenance eligibility transactions received by SYSTEMED via host to host, tape or floppy disc before 11:00 a.m. E.T. on any business day will be processed by SYSTEMED within an average of two (2) business days of receipt each Contract Year. STRB may assess a penalty against SYSTEMED in the amount of \$500 for each processable host to host, tape or floppy disc not processed by SYSTEMED within this time period, subject to a maximum penalty of \$5,000 per Contract Year.
- 5.1.7. SYSTEMED will make available a toll-free customer service telephone line for use by Eligible Persons. The target Average Speed of Answer ("ASA") of the customer service telephone line each Contract Year will be thirty (30) seconds or less from the initial ring. STRB may assess a penalty against SYSTEMED for failure to meet this standard in the amount of \$5,000 for each Contract Year that is standard is not met measured on a Contract Year basis.
- 5.1.8. The Telephone Abandonment Rate of the customer service telephone line will be 5% or less of all incoming calls received during each Contract Year. STRB may assess a penalty against SYSTEMED in the amount of \$5,000 for each Contract Year that this standard is not met measured on a Contract Year basis.
- 5.1.9. SYSTEMED will respond (mail a check or reject notice) to at least 97% of direct reimbursement paper claims received each Contract Year from Eligible Persons within an average of five (5) business days following receipt. All such claims for each Contract Year will be responded to within an average of ten (10) business days following receipt by SYSTEMED. STRB may assess a penalty against SYSTEMED in the amount of \$5,000 for each full Contract Year that these rates are not met measured on a Contract Year basis. This Section 5.1.9 is subject to a maximum penalty of \$5,000 per Contract Year.
- 5.1.10. The Claims Adjudication Accuracy Rate for each Contract Year will be 98.5% or greater. STRB may assess a penalty against SYSTEMED in the amount of \$5,000 for each Contract Year that this standard is not met measured on a Contract Year basis.
- 5.1.11. The Patient Satisfaction Rate for each Contract Year will be 90% or greater. A penalty of \$5,000 per Contract Year may be assessed against SYSTEMED for failure to meet this standard.
- 5.1.12. STRB may assess a penalty in the amount of \$5,000 if, three months after the Effective Date, those STRB employees who are members of the STRB Program implementation team do not rate SYSTEMED's performance in implementing the Program an average of 3 or better on a scale of 1 to 5 (5 being the best), provided STRB and any applicable third party has fully complied with all STRB implementation requirements established pursuant to this Section 5.1.12.
- 5.1.13. STRB may assess a penalty in the amount of \$5,000 per Contract Year if, after the first Contract Year and each successive Contract Year, those STRB employees who are

members of the STRB benefits staff do not rate the SYSTEMED account team's performance for such Contract Year an average of 3 or better on a scale of 1 to 5 (5 being the best) based on a range of performance criteria agreed to between STRB and SYSTEMED at the beginning of such Contract Year. Additional STRB staff members may be included in the survey at the request of SYSTEMED.

- 5.2. Notwithstanding anything to the contrary, SYSTEMED's collective maximum liability under this Section 5 for any Contract Year will not exceed \$30,000 per Contract Year.
- 5.3. STRB will give SYSTEMED written notice pursuant to Section 15.4 of the Agreement of any facts giving rise to STRB's right to assess a penalty against SYSTEMED pursuant to Section 5.1 above, within ten (10) business days after STRB becomes aware of such fact, and within thirty (30) days thereafter, of STRB's election to assess such penalty against SYSTEMED. Any penalties assessed against SYSTEMED pursuant to this Agreement, will be credited against future billings to STRB under the STRB Program in accordance with SYSTEMED's standard procedures.

6. FORMULARY

STRB will be a participating plan sponsor in MERCK-MEDCO's Preferred Prescriptions® Formulary as set forth below for the term of this Agreement.

- 6.1. Preferred Prescriptions Formulary - The Preferred Prescriptions Formulary is a prescription drug formulary administered by PAID which lists FDA approved drugs that have been evaluated for inclusion on the Preferred Prescriptions Formulary. The drugs included on the Preferred Prescriptions Formulary will be modified by PAID from time to time as a result of factors including, but not limited to, medical appropriateness, manufacturer rebate arrangements and patent expirations. SYSTEMED will implement PAID's formulary management programs, which may include cost containment initiatives, communications with Eligible Persons, Participating Pharmacies and/or physicians (including communications regarding generic substitution programs), and financial incentives to Participating Pharmacies for their participation. Compliance with the Preferred Prescriptions Formulary and PAID's formulary management program will result in Formulary Rebates as set forth below. SYSTEMED reserves the right to modify or replace the Preferred Prescriptions Formulary (including any modification or replacement, the "Formulary") and formulary compliance methods and cost containment initiatives consistent with good pharmacy practice. STRB agrees that SYSTEMED will be the exclusive formulary administrator for STRB's prescription drug benefit programs during the term of the Agreement. STRB is authorized to use the Formulary only for its own Eligible Persons and only as long as the Program is in effect and administered by SYSTEMED.
- 6.2. Formulary Savings - MERCK-MEDCO and its subsidiaries receive Formulary Rebates from certain drug manufacturers as a result of the inclusion of those manufacturers' branded products on the Formulary ("Formulary Rebates"). MERCK-MEDCO also conducts therapeutic interchange programs for formulary drugs which will lead to cost savings, measured on a discounted AWP basis ("AWP Savings"). (Formulary Rebates and AWP Savings are jointly referred to as "Formulary Savings"). SYSTEMED will provide STRB with 100% of the Formulary Savings received by MERCK-MEDCO based on the dispensing of each manufacturer's formulary drugs under STRB's Program, less a Formulary management fee equal to 15% of the greater of (i) such Formulary Savings or (ii) the Guaranteed Savings (as defined below). This management fee will be retained by SYSTEMED from Formulary Rebates payable to STRB under the Program. MERCK-MEDCO also receives and retains additional rebates and/or fees from certain manufacturers which may take into account various factors including the utilization of certain drugs within their respective therapeutic categories for MERCK-MEDCO's book of business in aggregate as a result of various commitments, services and programs including, but not limited to,

formularies. Formulary Rebates will be credited against future billings to STRB under the Program in accordance with SYSTEMED's standard Formulary Rebate procedures.

- 6.3. Guaranteed Formulary Savings - After each Contract Year that STRB participates in the Formulary, SYSTEMED will calculate STRB's Formulary Savings during such Contract Year. Provided STRB complies fully with the Formulary and with the Formulary management programs implemented by PAID, if Formulary Savings for any Contract Year during the Initial Term are less than the sum of (i) \$2.50 times the total number of Brand Name Formulary prescriptions billed and paid for under STRB's Retail Pharmacy Program during such Contract Year, plus (ii) \$9.10 times the total number of Brand Name Formulary prescriptions billed and paid for under STRB's Home Delivery Pharmacy Program during the same Contract Year (collectively the "Guaranteed Savings"), SYSTEMED will credit such difference against future billings to STRB under the Program in accordance with SYSTEMED's standard procedures.
- 6.4. If a government action, change in law or regulation, change in the interpretation of law or regulation or action by any drug manufacturer or by STRB has a material adverse effect on the availability of Formulary Savings, SYSTEMED may modify the Program Pricing Terms.

7. BILLING/PAYMENT

- 7.1. SYSTEMED will provide STRB with a bi-weekly consolidated invoice for services provided by SYSTEMED under the Program, in accordance with the Program Pricing set forth in Schedule A. All invoices will be paid in full by STRB within two (2) business days of receipt by wire transfer, electronic debit or other method approved by SYSTEMED in writing.
- 7.2. STRB will pay SYSTEMED for administrative products and services provided by SYSTEMED under the Program in accordance with the Administrative Fee provisions set forth in Schedule B. SYSTEMED will provide STRB with an Administrative Fee invoice in accordance with SYSTEMED's four (4) week Administrative Fee cycle. STRB will pay Administrative Fee invoices in full within fifteen (15) days of the invoice date.
- 7.3. SYSTEMED may revise the Program Pricing Terms during the term of this Agreement upon sixty (60) days prior written notice to STRB. If any such Program Pricing Terms revision is unacceptable to STRB, STRB will notify SYSTEMED, in writing, within fifteen (15) days of STRB's receipt of notice of the pricing revision. If the parties are unable to agree on acceptable pricing, either party may terminate this Agreement upon sixty (60) days prior written notice to the other party, provided such notice is given prior to the effective date of the proposed pricing revision.
- 7.4. Failure by STRB to make any payments in accordance with the terms of this Agreement will constitute a payment default. Notwithstanding Section 10.2 of this Agreement, if STRB fails to cure any such payment default within two (2) days, in addition to other available remedies, SYSTEMED may terminate this Agreement upon notice to STRB. There will be a late payment fee of 1% per month on the balance due on all late payments over two (2) days past due. STRB will reimburse SYSTEMED for all collection costs incurred by SYSTEMED as a result of any payment default by STRB under this Agreement.

8. RECORDS

- 8.1. SYSTEMED will maintain all claims records relating to services performed under this Agreement as required by applicable law. Such claims records will be in their original form, on microfilm, microfiche or other form determined by SYSTEMED. The claims records may be audited by STRB or its representative approved by SYSTEMED, subject to execution of a confidentiality agreement, in the calendar year in which they are established and for a period of one (1) calendar year thereafter, subject to applicable confidentiality provisions and legal requirements. Any audit

by STRB may be conducted annually upon adequate prior written notice, and during regular business hours. Subject to Section 9.2, SYSTEMED may retain copies of such claims records for their own use.

- 8.2. STRB will furnish its most recent audited financial statement to SYSTEMED prior to the Effective Date of this Agreement and thereafter will furnish its annual audited financial statement to SYSTEMED within ninety (90) days after the end of each fiscal year of STRB that this Agreement is in effect.

9. CONFIDENTIAL INFORMATION

- 9.1. Each party will not disclose any information or knowledge concerning any other party's operations or procedures, which is hereby deemed confidential information, except as otherwise required by law. Each party also will keep the terms of this Agreement confidential. If confidential information of a party is disclosed to or otherwise acquired by another party, such information will be held in confidence and surrendered by the acquiring party to the disclosing party upon the termination of this Agreement or upon prior written request by the disclosing party. STRB and SYSTEMED, may not utilize the service marks, trademarks or tradenames of any other party to this Agreement, or any service marks, trademarks or tradenames so similar as likely to cause confusion, without express written approval of such other party. The programs implemented by SYSTEMED will remain the sole property of SYSTEMED, and will only be used by STRB in connection with the Program and so long as SYSTEMED administer the Program.
- 9.2. SYSTEMED and STRB will comply with all applicable laws and regulations regarding patient confidentiality. SYSTEMED will not furnish any patient identifiable or STRB identifiable data or information to any third party without the written consent of STRB, except as reasonably necessary to implement and operate the Program and fulfill its obligations pursuant to this Agreement or as required by applicable law. The restrictions set forth in this Section 9 will not apply to claims data or information compiled on an aggregated basis for statistical and reporting purposes which is not identifiable on a STRB or patient basis.
- 9.3. MERCK-MEDCO's agreements with pharmaceutical manufacturers are subject to confidentiality agreements. Any audit of MERCK-MEDCO's agreements with pharmaceutical manufacturers conducted pursuant to Section 8.1 above, will be conducted by a Big 5 public accounting firm approved by SYSTEMED whose audit department is a separate stand alone function of its business, and will include only those portions of such pharmaceutical manufacturer agreements as necessary to determine SYSTEMED's compliance with Section 6 above in respect to Formulary Rebates. The audit will be conducted as scheduled by agreement of the parties, but not sooner than ninety (90) days after execution of MERCK-MEDCO's Confidentiality Agreement.

10. TERM OF AGREEMENT

- 10.1. This Agreement will remain in effect for an initial term of four (4) years from the Effective Date (the "Initial Term") and thereafter will automatically renew for successive one (1) year terms unless either party gives written notice, at least one hundred eighty (180) days prior to the end of any such term, to the other party of its intent to terminate this Agreement as of the end of the then current term. Notwithstanding the termination of this Agreement, SYSTEMED agrees to continue to render services hereunder and STRB agrees to pay for services of SYSTEMED in accordance with the terms of this Agreement for any claims incurred for prescription drug benefits by Eligible Persons while this Agreement was in force.
- 10.2. In the event of a material breach of this Agreement, the party alleging such breach will give written notice thereof to the other parties. If such breach is not cured within sixty (60) days of receipt of such notice, the non-breaching party may terminate this Agreement upon written notice to the other party.

- 10.3. STRB, at its option, may during the first Contract Year of this Agreement terminate the Agreement upon sixty (60) days prior written notice to SYSTEMED as a result of material, on-going, member service related issues made known to SYSTEMED in writing from STRB.

11. FORCE MAJEURE

Neither SYSTEMED nor STRB will be deemed to have breached this Agreement or be held liable for any failure or delay in the performance of all or any portion of its obligations under this Agreement if prevented from doing so by a cause or causes beyond its control. Without limiting the generality of the foregoing, such causes include acts of God or the public enemy, fires, floods, storms, earthquakes, riots, strikes, boycotts, lock-outs, acts of terrorism, acts of war, war-operations, restraints of government, power or communications line failure or other circumstances beyond such party's control, or by reason of the judgment, ruling or order of any court or agency of competent jurisdiction, or change of law or regulation (or change in the interpretation thereof) subsequent to the execution of this Agreement.

12. INDEMNIFICATION/LIMITATION OF LIABILITY

- 12.1. SYSTEMED will indemnify and hold STRB, its officers, directors and employees (each an "Indemnified Party") harmless from claims or causes of action asserted against an Indemnified Party arising from services rendered by SYSTEMED pursuant to this Agreement to the extent the claim or cause of action arises out of SYSTEMED's negligence or willful misconduct, provided that (a) STRB has given reasonable notice to SYSTEMED of the claim or cause of action, and (b) no Indemnified Party has, by act or failure to act, compromised SYSTEMED's position with respect to the resolution or defense of the claim or cause of action.
- 12.2. STRB will indemnify and hold SYSTEMED, its parent, affiliates, and their respective officers, directors and employees (each an "Indemnified Party") harmless from claims or causes of action asserted against an Indemnified Party arising from (i) negligence or willful misconduct of STRB, including without limitation, the disclosure and/or use of Program data or information provided by SYSTEMED to STRB, (ii) the provision of patient identifiable data by SYSTEMED or its subsidiaries to STRB or STRB's designees, or (iii) STRB's release of patient identifiable information to SYSTEMED or SYSTEMED's use of the information to offer, implement and administer the Health Management Programs set forth in Section 14, provided that (a) the Indemnified Party has given reasonable notice to STRB of the claim or cause of action, and (b) no Indemnified Party has, by act or failure to act, compromised STRB's position with respect to the resolution or defense of the claim or cause of action.
- 12.3. SYSTEMED will maintain, during the term of this Agreement, liability coverage with limits not less than \$1,000,000 per occurrence and in the aggregate per policy year, with excess liability coverage in an amount not less than \$5,000,000 per policy year. Evidence thereof will be furnished to STRB upon request.
- 12.4. Except as provided in Section 12.1 above, SYSTEMED or any affiliated company, or their directors, officers or employees, will not be responsible for any claim, loss or damage sustained as a result of the provision of or failure to provide pharmaceutical goods or services or any other action or failure to act by any retail pharmacy, pharmaceutical manufacturer or other pharmaceutical providers pursuant to this Agreement.
- 12.5. The liability of SYSTEMED to STRB for any negligent or willful misconduct by SYSTEMED in the performance of its obligations hereunder will be limited to the amount of Administrative Fees paid by STRB to SYSTEMED during the prior twelve (12) month period.
- 12.6. Neither SYSTEMED or STRB will be liable to each other for incidental, consequential or exemplary damages.

13. EXCLUSIVITY

SYSTEMED will be the exclusive provider and administrator of PBM Services to STRB and its subsidiaries while this Agreement is in effect. Nothing contained herein, however, will prohibit SYSTEMED or any affiliated entity from providing or administering PBM Services and related programs and services to any other entity while this Agreement is in effect.

14. HEALTH MANAGEMENT PROGRAMS

14.1. MERCK-MEDCO Programs - STRB hereby retains SYSTEMED to make available, implement and administer MERCK-MEDCO's Health Management Programs (current programs referenced in Schedule B) as agreed from time to time between SYSTEMED and STRB (the "Health Management Programs") to Eligible Persons. MERCK-MEDCO may, from time to time, modify the Health Management Programs as MERCK-MEDCO determines is in the best interests of Health Management Program enrollees.

14.2. Cooperation

14.2.1. Promptly following the date that a particular Health Management Program is agreed to between SYSTEMED and STRB and from time to time thereafter, STRB will provide such assistance as SYSTEMED may reasonably request in connection with SYSTEMED's offer, implementation and administration of the Health Management Program, including, without limitation, assisting in the identification and contacting of Eligible Persons with medical conditions addressed by the Health Management Program and otherwise providing assistance in making the Health Management Program available to appropriate Eligible Persons.

14.2.2. STRB acknowledges and agrees that the Health Management Programs may include communications with Eligible Persons, Participating Pharmacies and/or physicians, including mailings, interviews and other communications, before, during and following an Eligible Person's enrollment in a Program. In connection with SYSTEMED's offer, implementation and administration of the Health Management Programs, STRB agrees that SYSTEMED may use STRB's name and indicate that STRB has sponsored participation in the Health Management Programs when contacting Eligible Persons and physicians.

14.3. Information

14.3.1. Promptly following the date that a particular Health Management Program is agreed to between SYSTEMED and STRB, STRB will furnish or cause to be furnished to SYSTEMED, in a format compatible with SYSTEMED's data processing system, all information necessary for SYSTEMED to administer the Health Management Program to Eligible Persons. Such information will include, but is not limited to, complete and accurate eligibility data for the periods and in accordance with the specifications established by SYSTEMED. STRB will timely update such data, not less frequently than quarterly, as necessary to remain current.

14.3.2. The foregoing information may be used by SYSTEMED to profile patients, to offer, implement and administer the Health Management Program, to assess patterns of care and outcomes measurements, to provide opportunity analysis for interventions, adherence analysis, and in administering, evaluating and improving its Health Management Programs and other managed care programs. STRB acknowledges that SYSTEMED may also aggregate such information and other information collected in the administration and implementation of the Health Management Programs on a patient

non-identifiable basis with data from other sources for the purpose of performing outcomes and/or opportunity analyses, assessing the effectiveness of MERCK-MEDCO's managed care programs and supporting a secondary research data base, which may be provided by MERCK-MEDCO to other clients or potential clients or healthcare organizations, including pharmaceutical manufacturers.

- 14.4. Charges - STRB's participation in the Health Management Programs will be free of charge during the Initial Term of this Agreement.
- 14.5. Program Ownership - It is agreed that the Health Management Programs, including all correspondence, protocols and other materials relating to the Health Management Programs, will be and remain the exclusive property of MERCK-MEDCO and, if disclosed to or otherwise acquired by STRB, will be held in confidence by STRB as provided in this Agreement.

15. GENERAL

- 15.1. Independent Contractor - The relationship among SYSTEMED and STRB will solely be that of independent contractors engaged in the operation of their own respective businesses.
- 15.2. Assignment - This Agreement may not be assigned by any party without the written approval of the other parties provided, however, that services to be performed by SYSTEMED hereunder may be performed by its subsidiaries, affiliates, divisions and/or designees.
- 15.3. No Third Party Beneficiary - This Agreement has been entered into solely for the benefit of STRB and SYSTEMED, and is not intended to create any legal, equitable or beneficial interest in any third party or to vest in any third party any interest as to enforcement or performance.
- 15.4. Notices - All notices required under this Agreement will be in writing and sent by certified mail, return receipt requested, hand delivery or overnight delivery by a nationally recognized service addressed as follows:

If to STRB:

State Teachers Retirement Board
21 Grand Street
Hartford, CT 06106
Attention: William Sudol
Administrator

If to SYSTEMED:

Systemed, L.L.C.
100 Parsons Pond Drive
Franklin Lakes, NJ 07417
Attention: David S. Machlowitz
Secretary

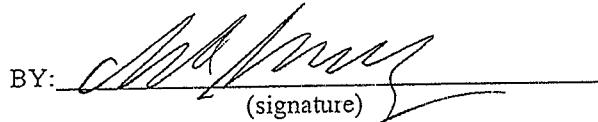
- 15.5. Amendments - This Agreement may be amended only in writing when signed by a duly authorized representative of each party.
- 15.6. Financial Responsibility - If SYSTEMED has reasonable grounds to believe that STRB may not meet its payment obligations under this Agreement as they become due, SYSTEMED may request information and/or reasonable assurances (including a deposit) from STRB as to its financial responsibility. If the information or assurances are not furnished to SYSTEMED within five (5) days, or are not satisfactory in SYSTEMED's reasonable judgment, SYSTEMED may immediately terminate this Agreement.

- 15.7. Plan Design - The Program Pricing Terms set forth in this Agreement are based upon the Plan Designs, Minimum Enrollment and Program specifications agreed to between the parties as reflected in this Agreement and as otherwise hereafter agreed to by the parties in writing. Any modification of the Plan Design or Program specifications, or failure to maintain Minimum Enrollment, may result in a retroactive modification by SYSTEMED of the Program Pricing Terms. STRB will provide Eligible Persons with at least thirty (30) days prior notice of approved Plan Design changes.
- 15.8. Interpretation of Plan - STRB will not name or represent that SYSTEMED, MERCK-MEDCO, PAID or Rx SERVICES are, and SYSTEMED, MERCK-MEDCO, PAID or Rx SERVICES will not be, a Plan Administrator or a named fiduciary of STRB's prescription drug benefit plan (the "Plan"), as those terms are used in the Employee Retirement Income Security Act ("ERISA"), 29 U.S.C. §§ 1001 et seq., and the regulations promulgated under ERISA. STRB will have complete discretionary, binding and final authority to construe the terms of the Plan, to interpret ambiguous Plan language, to make factual determinations regarding the payment of claims or provisions of benefits, to review denied claims and to resolve complaints by Eligible Persons.
- 15.9. Tax - Any sales, use or other tax imposed on items dispensed, or services provided hereunder, will be the sole responsibility of STRB.
- 15.10. Governing Law - This Agreement will be construed and governed in accordance with the laws of the State of New Jersey. However, all matters relating to the operations of Rx SERVICES will be governed by the laws of the state in which Rx SERVICES' pharmacy is located.
- 15.11. Enforceability - The invalidity or unenforceability of any of the terms or provisions hereof will not effect the validity or enforceability of any other term or provision.
- 15.12. Section Headings - Section headings are inserted for convenience only and will not be used in any way to construe the terms of this Agreement.
- 15.13. Waiver - The waiver of any breach or violation of any term or provision hereof will not constitute a waiver of any subsequent breach or violation of the same or any other term or provision.
- 15.14. Approvals - Whenever approval of any party is required under this Agreement, such approval will not be unreasonably withheld.
- 15.15. Entire Agreement - This Agreement, together with the Schedules hereto, embodies the entire understanding of the parties in relation to the subject matter hereof, supersedes any prior agreement among the parties in relation to the subject matter hereof, and no other agreement, understanding, or representation, verbal or otherwise, relative to the subject matter hereof exists among the parties at the time of execution of this Agreement.
- 15.16. Survival - The provisions of Sections 7.4, 9, 12 and the last sentence of 10.1 will survive the termination of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date indicated below.

SYSTEMED, L.L.C.

BY:



(signature)

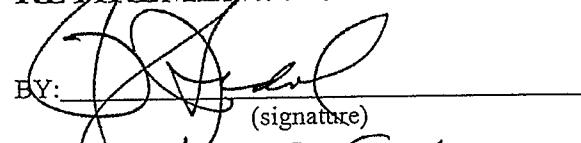
NAME: David S. Machlowitz

TITLE: Secretary

DATE: 6/7/02

STATE TEACHERS'
RETIREMENT BOARD

BY:



(signature)

NAME: William J. Sudor
(type or print name)

TITLE: Administration

DATE: 5/31/02

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(Original 27902.1 - 1/28/02)

SCHEDULE A PROGRAM PRICING TERMS

STRB will pay SYSTEMED for services provided under the Program as follows:

1. RETAIL NETWORK COMPONENT DISCOUNT GUARANTEE

- 1.1. SYSTEMED guarantees that as a result of the PAID network management programs, for all Covered Drugs (exclusive of Specialty Drugs) dispensed by Participating Pharmacies in the SNN Network and submitted via TelePAID, in the aggregate, for each full Contract Year during the Initial Term, (a) the average Ingredient Cost AWP discount will be minus (-) 16% for Brand Name Drugs and minus (-) 51% for Generic Drugs (the "Guaranteed Ingredient Cost Discounts"), and (b) the average Dispensing Fee will be \$2.10 (the "Guaranteed Dispensing Fee"). The Ingredient Cost discounts are calculated by measuring the incremental values of: the negotiated network discount; MAC pricing; Usual and Customary pricing and savings achieved through PAID's pharmacy audit program, against the AWP of all prescriptions (exclusive of Specialty Drugs) dispensed under the Program and submitted by Participating Pharmacies in the SNN Network via TelePAID. In the event of a material Plan Design modification, an increase or decrease in the total number of Participating Pharmacies in the SNN Network by greater than five (5%) percent, or a change in ownership of five (5%) percent or more of Participating Pharmacies in the SNN Network, SYSTEMED may modify the Guaranteed Ingredient Cost Discounts and Guaranteed Dispensing Fee on an equitable basis.
- 1.2. Within one hundred eighty (180) days after the end of each full Contract Year during the Initial Term, SYSTEMED will calculate and report the actual average Ingredient Cost discounts (the "Actual Ingredient Cost Discounts") and actual average Dispensing Fee ("Actual Dispensing Fee") achieved for all Brand Name Drugs (exclusive of Specialty Drugs) and Generic Drugs dispensed by Participating Pharmacies in the SNN Network and submitted via TelePAID, in the aggregate, for such Contract Year. If the aggregated Actual Ingredient Cost Discount for Brand Name Drugs or Generic Drugs for any such Contract Year is less than the corresponding aggregated Guaranteed Ingredient Cost Discount, or if the aggregated Actual Dispensing Fee for any such Contract Year is greater than the Guaranteed Dispensing Fee, SYSTEMED will credit the full dollar amount of such shortfall against future billings to STRB under the Program. However, any shortfall on the Actual Ingredient Cost Discount for Brand Name Drugs or Generic Drugs, or Actual Dispensing Fee, will be offset by any surplus savings available on any of these three components of this guarantee.
- 1.3. Copayment/Coinsurance - The Copayment/Coinsurance amount for each prescription or refill dispensed by a Participating Pharmacy under the Retail Pharmacy Program will be as designated in the applicable Plan Design(s).
- 1.4. Minimum Charge at Retail - STRB agrees to a minimum charge at retail for a Covered Drug of the lower of (a) the U&C, or (b) the applicable Copayment and there will be no charge/credit to STRB under this Section 1.

2. HOME DELIVERY PHARMACY PROGRAM CLAIMS - STRB will pay SYSTEMED for Covered Drugs dispensed by Rx SERVICES under the Home Delivery Pharmacy Program in an amount equal to an Ingredient Cost plus Dispensing Fee for each Covered Drug dispensed, less the applicable Copayment/Coinsurance amount, as such terms are defined below:

- 2.1. Ingredient Cost - The Ingredient Cost will be AWP minus (-) 21% for Brand Name Drugs and the lower of (i) MAC, where applicable, or (ii) AWP minus (-) 51% for Generic Drugs, with no Dispensing Fee. Within one hundred eighty (180) days following the end of each Contract

Quarter (each January 1 through December 31), SYSTEMED will calculate and report the actual effective generic discount achieved. If the actual effective generic discount for any such Contract Quarter is greater than AWP minus (-) 51%, SYSTEMED will invoice STRB for the amount equal to the differential between the actual effective generic discount achieved and AWP minus (-) 51%. Payment by STRB will be due fifteen (15) days after receipt of invoice. Program Pricing is inclusive of postage. If postage rates increase during the term of this Agreement, the Program Pricing will be increased to reflect such postage rate increase(s).

- 2.2. Copayment/Coinsurance - The Copayment/Coinsurance amount for each prescription or refill dispensed by Rx SERVICES under the Home Delivery Pharmacy Program will be as designated in the applicable Plan Design(s). The Copayment/Coinsurance amount will be the minimum charge for the prescription or refill dispensed by Rx SERVICES under the Program.

3. SPECIALTY DRUG CLAIMS

Notwithstanding anything to the contrary in Sections 1 and 2 above and elsewhere in the Agreement, STRB will pay SYSTEMED for Covered Drugs designated by SYSTEMED as Specialty Drugs on a separate ingredient cost basis plus applicable Dispensing Fee, subject to the Copayment/Coinsurance in the applicable Plan Design. "Specialty Drugs" will mean single source Covered Drugs with non-standard pharmaceutical manufacturer discounts and/or additional handling, storage and/or shipping expenses. SYSTEMED may modify this list of Specialty Drugs and pricing terms. SYSTEMED will provide its then current list of Specialty Drugs upon STRB's written request.

4. ADMINISTRATIVE FEES

- 4.1. STRB will pay to SYSTEMED a Base Administrative Fee in the amount of \$0.15 per paid transaction processed by SYSTEMED under the Retail Pharmacy Program for the following Base Administrative Services, as applicable:

- Administration of eligibility submitted via tape or telecommunication in a SYSTEMED standard format
- Eligibility maintenance (minimum of weekly updates)
- Dependent Eligibility Certification System (DECS)
- SYSTEMED's client support system (e-SD) for on-line access to current eligibility (equipment, installation and line charges are responsibility of STRB)
- Administration of STRB's Plan Design in MMMC format
- In-network claims adjudication via TelePAID® on-line claims adjudication system
- Coordination of Benefits Level I (when flagged on eligibility records)
- Twelve months on-line claims history retention (for use in claims processing)
- Processing associated with Home Delivery Pharmacy Program prescriptions
- Announcement letter
- SYSTEMED descriptive brochure
- Pre-addressed home delivery order form/envelope
- Patient profile questionnaire card
- One PAID Identification Card per Primary Eligible Participant (two per family)
- Information on access to major Participating Pharmacy network chains
- Explanation of Benefits (EOB) for out-of-network claims
- Direct reimbursement claim form (also available via www.merckmedco.com)
- Coordination of benefits (COB) claim form

- Benefit denial letters for instances where Eligible Person/drug are not covered
 - TDD-TTY services for hearing impaired to access Customer Service Department
 - Integrated Concurrent Drug Utilization Review (DUR) via TelePAID®
 - Physician Profiling Program
 - MERCK-MEDCO's Health Management Programs
 - Access capabilities to e-SD to support STRB managed prior authorization activities
 - MERCK-MEDCO Standard^{PLUS} Report Series (SPRS)
 - Establish, maintain, credential and contract an adequate panel of Participating Pharmacies
 - Development and distribution of communication materials to Participating Pharmacies regarding the Program
 - Toll-free access to Help Desk for eligibility/claims processing assistance
 - Toll-free access to Participating Pharmacies for DUR assistance
 - Monitor Participating Pharmacy compliance, including submission of U&C, generic dispensing rates, formulary program conformance, DUR intervention conformance, patient utilization and drug mix and managed through the Coordinated RxSM Program
 - Toll-free telephone access to voice response unit for location of Participating Pharmacies in zip code area
 - MMMC Pharmacy Audit Program - Level I
 - Toll-free telephone access to Customer Service for the program for use by Eligible Persons, STRB benefits personnel and physicians
 - Gatekeeper program
 - 24 hour access to a MMMC pharmacist via toll-free telephone service
- 4.2. STRB will also pay for Additional Administrative Services requested by STRB and provided by SYSTEMED under the Program as follows:
- | | |
|---|------------------------|
| • Extra Identification Cards | \$0.35 per card |
| • Direct reimbursement (under Retail Pharmacy Program)/out-of-network claims adjudication | \$1.25 per claim |
| • Hard copy eligibility submission | Data entry charges |
| • Mailings direct to Eligible Persons or STRB location | Actual postage charges |

Note: Charge for additional services not listed above will be determined by SYSTEMED and quoted upon request.

5. DRUG UTILIZATION REVIEW SAVINGS GUARANTEE

If the savings to STRB for the first, second, third and fourth full Contract Years as a result of STRB's full cooperation and participation in SYSTEMED's Concurrent DUR Program, Retrospective DUR Program and Point-of-Sale Electronic Edits (collectively "DUR Savings") do not equal or exceed 5% of the net plan cost paid by STRB to PAID under STRB's Program during such full Contract Year, STRB may assess a penalty against SYSTEMED in an amount equal to such shortfall. If savings to STRB exceed such amount for such full Contract Year, STRB will retain the first full percentage point above 5% and thereafter, STRB and SYSTEMED will share such savings on a 50%/50% basis, provided, however, that SYSTEMED's share in any full Contract Year will not exceed 1.5% of the net plan cost. "Net plan cost" equals the Ingredient Cost plus Dispensing Fee, less any Copayment/Coinsurance/deductible and less the greater of Formulary Savings or Guaranteed Savings, as applicable. Any amounts owed by SYSTEMED pursuant to this Section will be calculated by SYSTEMED and reported to STRB within one hundred eighty (180) days following the full Contract Year and credited against future billings under the STRB's Program. Any amounts owed by STRB under this Section will be at the option of SYSTEMED; (i) deducted from Formulary Rebate amounts payable to STRB, or (ii) paid directly to SYSTEMED within fifteen (15) days of receipt of invoice by STRB from SYSTEMED. SYSTEMED will waive its share of DUR Savings, under the agreement between SYSTEMED and STRB dated July 1, 2000, through June 30, 2002.

6. MANAGED RX COVERAGE™ GUARANTEE

For each full Contract Year during the Initial Term that STRB participates and cooperates fully in the Managed Rx Coverage (MRxC) Program and accepts all MRxC Program rules, SYSTEMED guarantees STRB savings in an amount equal to one (1) times the total charge to STRB under the MRxC Program for such Contract Year ("Guaranteed MRxC Savings"). MRxC Program savings in any Contract Year in excess of one (1) times the total charge under the MRxC Program ("Excess MRxC Savings"), will be shared between STRB and SYSTEMED on a 50%/50% basis.

7. IMPLEMENTATION ALLOWANCE

After ninety (90) days following full implementation of STRB's Integrated Program, SYSTEMED will provide a payment of \$50,000 to STRB for expenses incurred by STRB in preparing for and/or implementing STRB's Integrated Program (e.g., consulting fees, RFP preparation).

SCHEDULE B
HEALTH MANAGEMENT PROGRAMS

1. Diabetes Program
2. Digestive Health Program
3. Depression Program
4. Respiratory Program
5. Cardiovascular Program
6. Hepatitis C Program
7. Multiple Sclerosis Program